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2 JANUARY 1990



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GERMAN DEMOCRATIC REPUBLIC

EINHEIT Summaries of Selected Articles in November 1989 Issue

90EG0067A East Berlin EINHEIT in German Vol 44
No 11, Nov 89 (signed to press 19 Oct 89) pp 978, 1071

[Text]

Facing the People

[Summary of article by Prof Dr Dr Manfred Banaschak, SED CC [Socialist Unity Party of Germany Central Committee] member, department head of the SED CC, and editor in chief of EINHEIT; pp 979-983. A full translation of this article is published in this report.]

In thinking about the changes brought about by the Ninth Session of the Central Committee, the following questions are pursued: What is the meaning of leadership and how did we deal with the resulting requirements? Why does doubt with respect to the strength and future of socialism find fertile soil in our country? The required changes do not tolerate any delay, but neither do they tolerate any thoughtlessness. Only if joint conversations end in joint actions can we solve that which moves us jointly today. On socialist democracy and its development and on readiness to live with divergent concepts. There are methodological and substantive new requirements.

In the Search for the Best Solutions

[Summary of article by doctor of economics Prof Otto Reinhold, SED CC member, rector of the Academy of Social Sciences of the SED CC, member of the Academy of Sciences of the GDR, external member of the Academy of Sciences of the USSR, and member of the EINHEIT Editorial Board; pp 984-989. A full translation of this article is published in this report.]

What role was played by reforms in our revolutionary path and what role do they play today? Which final conclusions accrue from this in view of the challenges of the 1990's? Why does the development of socialist democracy stand in the foreground in this connection? How can we facilitate a balanced unity between economic policy and social policy which is commensurate to our fundamental orientation?

Communists and the Truth

[Summary of article by Prof Heinrich Opitz, doctor of philosophy and director of the Department of Philosophy at the "Karl Marx" Party Advanced School at the SED CC; pp 1002-1008. A full translation of this article is published in this report.]

To this day, bourgeois ideologists are taking the field against the truth claims of Marxism. Where do the reasons for this lie? What is truth and does a truth monopoly exist? Why is the claim to truth made by Marxism-Leninism not an obstacle to a dialogue and to

collaboration with people who hold a different world view? Communists as the upstanding and undaunted fighters for the truth.

Capitalism—The Society of the 'Eternal Human Nature'

[Summary of article by Prof Herbert Steininger, doctor of philosophy and director of the Department of Marxism-Leninism at Humboldt University, Berlin; pp 1009-1014]

Is there an unchangeable natural human being? Is man naturally productive, creative, and, simultaneously, unalterably greedy and mindful of the power of disposal he may hold over others? An argument with the revived bourgeois ideological thesis that capitalism is, after all, the only naturally given social order appropriate for mankind.

Citizenship From the Viewpoint of International Law

[Summary of article by Prof Harry Wuensche, doctor of jurisprudence at the Institute for International Relations of the GDR Academy for Political and Legal Sciences; pp 1015-1021]

The GDR is a member of the international community of states with equal rights and makes sovereign decisions regarding its affairs. The "juridical justification" of the so-called guardianship obligation involving all Germans, as practiced by the Constitutional Court of the FRG, is being carried to absurd lengths. Evidence is provided to indicate that the claims made upon the citizens of the GDR by the FRG Government are in violation of international law and not only burden relationships with the GDR, but also have a counterproductive effect with regard to the process of detente in Europe.

Allied in Firm Friendship

[Summary of article by Prof Kurt Tiedke, SED CC member, rector of the "Karl Marx" Party Advanced School at the SED CC, chairman of the Scientific Council of the "Karl Marx" Party Advanced School at the SED CC, and member of the EINHEIT Editorial Board; pp 1025-1031]

On the basis of the connections between the 40th anniversary of the establishment of the GDR and the 72d anniversary of the Great Socialist October Revolution, the following questions are posed: Wherein lies the world historical significance of the October Revolution and the historical accomplishments achieved since then by the Soviet Union? What are the traditions behind the fraternal bond between our parties, states, and peoples in the present-day joint struggle to safeguard peace and strengthen socialism?

A New Step in Elaborating Our Socialist Command Economy

[Summary of article by Prof Lothar Bayer, doctor of economic sciences and department head of the Central Institute for Socialist Economic Management of the SED CC, and Prof Volker Hille, doctor of economic sciences at the Central Institute for Socialist Economic Management of the SED CC; pp 1032-1038. A full translation of this article is published in this report.]

The transition toward self-financing—a component of our socialist planned economy—is of great political and economic importance, combined with new requirements which are levied on the socialist operating managers at combines and enterprises. To what extent are the economic interests and the opportunities growing to permit us to be able to better deal with the dynamics of productive forces and the demand to bring about higher profits in the face of declining costs? What new types of thinking and conduct are required by this? How are they being stimulated?

On the Relationships Between Subcontractors and Final Producers

[Summary of article by Prof Hans-Joachim Beyer, doctor of economic sciences and research department head at the Institute for the Political Economics of Socialism at the Academy of Social Sciences at the SED CC; pp 1039-1045]

Reliable coproduction, particularly cost-beneficial and world-market-capable subcontractor supplies, are of decisive significance with respect to the functioning of our economy, its growth, its international competitiveness. Wherein lie the beginnings of the solutions for such a shaping of the coproduction process—for the shaping of the national economic structural developments, for the further development of the process involving the division of labor in combines and enterprises, for increasing the interest on the part of economic units in lowering costs, and for a stable increase in product quality in the coproduction chain all the way through to the influence exerted by the balance and the contract?

Thomas Muentzer—Historical Pathfinding and Influence

[Summary of article by Prof Adolf Laube, doctor of philosophical sciences and deputy secretary for social sciences at the Academy of Sciences of the GDR; pp 1046-1051]

Muentzer as theologian, preacher, and revolutionary, who, in his time, fought most decisively for the liberation of the people from feudalism and exploitation. Why was Muentzer brought to historical world significance only by the revolutionary worker movement? What is our relationship with his legacy?

Forerunner and Symbol of the German People's Front

[Summary of article by Prof Dieter Schiller, doctor of philosophical sciences and deputy director of the Central Institute for Literary History of the Academy of Sciences of the GDR; pp 1052-1061]

By tracing the bourgeois-democratic ideas to which the "man of the left without party affiliation" remained faithful in his defensive struggle against militarism and fascism, the controversial process involving an approach to the worker movement is depicted. Sooner and more clearly than his contemporaries, Ossietzky saw the necessity for the convergence of all peace-loving forces against fascism and war, he harnessed his militant pen in favor of creating a "worker bloc" made up of Communists and Social Democrats: a legacy which lives today in the struggle against neo-Nazism, for peace, and for progress as a warning and a duty.

Nehru's Legacy Lives in the Struggle for Peaceful Coexistence

[Summary of article by Diplomat Teacher Ralf Leopold, political employee of the SED CC; pp 1061-1066]

Born 100 years ago, Jawaharlal Nehru was among the most important representatives of the anticolonial liberation struggle conducted by the peoples of India and, beyond that, represented the worldwide movement for peace, national liberation, and social progress. What made him into one of the shapers of the 20th century? What are the reasons for the shaping strength of his thinking and actions? What fascination was exerted by the Red October upon Nehru? What was his foreign policy credo and what was his share in the formation of the movement of the unaligned?

Meaning of Krenz Accession Assessed

90EG0067B East Berlin EINHEIT in German Vol 44 No 11, Nov 89 (signed to press 19 Oct 89) pp 979-983

[Article by Prof Dr Manfred Banaschak, member of the SED CC [Socialist Unity Party of Germany Central Committee], chief editor of EINHEIT: "Facing the People"]

[Text]

Reflections on the Resolutions of the 9th Session of the Central Committee

Turbulent weeks, during which leadership and leadership qualities were particularly called for, are behind us—and, most certainly, no less demanding times face us. The history of our republic and of our party require that decisions which have become inevitable be met. With decency and dignity, with abiding respect for the departing general secretary, the Central Committee, by electing Comrade Egon Krenz as general secretary, by evaluating the political situation, and drawing the first conclusions resulting from it, introduced a change which was appropriate to the requirements.

What was decisive with respect to the resolutions adopted by the Central Committee was primarily the necessity for our party to again find its way to its leading strength. In the final analysis, to lead means to stand at the head of required changes, to realistically evaluate the reality embodied in their development, and to set the switches of the political struggle on a timely basis. And this means taking a position with respect to the questions being debated, to say openly why we see one thing or another in this manner and in no other manner. And it means, at the same time, listening, reacting to citizen attitudes and needs with sensitivity, seizing opinions and, thus, stand at the head of necessary changes in the interest of securing and strengthening socialism.

On Word and Deed

It was precisely within the meaning of these recognized findings that the Central Committee had decided some time ago that we would retain everything which had proven itself during the preparations for the 12th party congress and, simultaneously, decidedly throw overboard everything which hampers our forward progress and that we would attack many problems in a new way. The only thing that mattered was that this should be specified, things which were not or no longer successful and would, thus, have to give way to something new, were precisely identified, that answers to many pressing and new questions were sought in all openness and were also given, rather than whispering truth into each other's ear with the hand covering the mouth. It is a requirement of our socialist morality to openly and honestly explain problems to those—no, to clarify problems with those—who must solve them in the final analysis, those for whom our republic is home and who are entitled to share in the shaping of their future in this home, including their life values.

And these problems also include those which are not all that new, but which have somehow still not been solved—and which can, in part, not yet be solved—and which have led to frustrations, primarily because they had not been publicized. And while these questions of responding to such problems or, at least, publicly discussing them, persisted, thousands upon thousands ran away—completely physically or “only” in their heads.

It is obvious: As the Central Committee found, we had not assessed the social development situation in our country in a sufficiently realistic manner and had not drawn the correct conclusions on a timely basis. Our conscience and our responsibility requires that we get to the bottom of the reasons for the loss of confidence in our party, that we unreservedly discuss this problem and draw the necessary conclusions. However, we have no time to lose before we draw the most important consequence from these developments and concentrate our strength, with all and for all for whom our republic is home, upon realizing the change which is necessary for a worthwhile future for all. To make such changes irreversible requires that all comrades draw closer together, help each other, and get going when it comes to carrying the

word of our party into the controversial discussions, shoulder to shoulder with all fellow combatants, and, through open and honest position determinations in all turbulent questions and through the use of lasting experiences involving our handling of controversies and their solutions, be mindful of winning back the confidence of the people. “A party such as ours,” said Comrade Egon Krenz, “has no interest other than the people. Where the people's fate is concerned, what counts primarily is courage to tell the truth, the strength of convictions, and tenaciousness. This is what we pledge anew with this session of the Central Committee. Our visage is facing the people.”¹

The fact that our enemies are disparaging socialism and, in view of its doubtlessly complicated developmental problems, are sensing a ray of hope, the fact that they believe that the hour has come to shake socialism to its foundations, to “reform” it back toward capitalist conditions, and to fetch the GDR “home into the Reich” of capitalism through a “strategic reunification policy”—is this surprising to anyone? But what is of special significance to us is not letting any doubt arise as to how dangerous such intentions are with respect to the GDR. First, there is the matter of our country, of all that which we have created and wish to continue creating in realization of the socialist values and ideals carried forward by our people. Second, there can be no movement from a position which calls for the incorporation of the GDR with respect to whatever might be necessary and, given common sense and goodwill under conditions of complete equality, that which might be possible to promote the development of good-neighbor relations between both German states; based on such a position, there can be no thought of realistic perspectives in these relationships. Instead of self-righteously insisting on unrealistic positions, change also seems called for in the Federal Republic. Moreover, the political stability of the GDR, on the basis of its geostrategic position, is important to the total socialist world and for the ongoing processes of change in that world and for the shaping of its appropriate social character, commensurate to the new requirements.

It is all the more necessary and responsible, in the words of the most recent session of the Central Committee, that we devote thorough thought to ourselves, that we accept the unvarnished reality, that we ask ourselves seriously why it is that doubt in the strength and future of socialism is finding fertile ground in our country and that we draw all necessary conclusions from this fact by seeing to it that solutions to controversies, particularly, are not rendered more difficult by the fact that contradictions themselves are not disclosed. When citizens leave our country in such large numbers, when they believe that they can no longer find any life content, no future, when it is particularly young people, children of our revolution, that turn their backs on us, then it is high time to find out what we must change domestically. The loss of each individual hurts, not only as a loss of manpower, but much worse: as a loss of trust and confidence.

It is this, above all, which must go to the heart of the matter, which challenges us to ask ourselves serious questions; the cause of this loss of confidence lies deeper than mere speechlessness over a period of several weeks or the erroneous assessment of the situation over a period of several months and the conclusions which were not drawn from these facts on a timely basis. The changes which are necessary and inevitable for the future of socialism in our country must, therefore, begin with changes in our party, with the courage to face the whole truth, so as to gain strength from this which we need in order to accomplish the deep changes necessary to renew socialism.

Without Delay, but Well Considered

All are in agreement that desirable changes cannot tolerate any delay. They are urgent because the well-being and difficulties of our people depend on them, because citizens measure the honesty of words by deeds. However, they also do not tolerate any inconsideration. Some things cannot be approached immediately, since they are, in part, already more than an expectation; if, for example, one thinks of the fact that the media, through their publicized problem awareness, have again found interest among the population. In any event, they are, as is quite obvious, on the correct path. Also, as far as travel opportunities to foreign countries are concerned, as well as the security and the expansion of our constitutionality is concerned, not only have clear signals been set in this regard, but specific steps have already been introduced. And this has been done despite the fact that some solutions will certainly bring us new as well as painful problems, for example, the consequences brought about by the expanded travel opportunities for the solution of other more urgent problems, primarily those involved in material production and, thus, involving the improvement in the supply situation for the population.

Other things require more time, with the best of intentions, not because they were perhaps not taken seriously, but precisely because they were taken very seriously. But if one does not wish to encounter the danger of creating more damage than utility through short-circuited decisions, the anticipated solution must be carefully considered in all its connections and consequences. It is underhanded or bespeaks the lack of understanding for the complicated nature and multifaceted nature of some problems, if the required consideration of these problems is being disparaged as something which is "being put off till later," or is dismissed as a "stalling tactic."

No one can pass a decree which states that, as of tomorrow, there will be no long lines at cash registers in department stores and that there would be no more gaps in supplies. Appropriate conditions must be created for this situation. In the final analysis, there is no bypassing diligent and honest work, but there is also no way of avoiding forceful motivation of this work through a change in the economic mechanism, through economic reforms aimed at high efficiency. It will not be possible otherwise to eliminate the deficiencies which have been the source of repeated complaints by workers and which

have, in the final analysis, turned into general displeasure, such as the lack of continuity in production, the inadequate prosecution of the performance principle, the disproportions which exist between production and goods supply, the lagging transformation of scientific-technical findings into practice in production, and the unsatisfactory efficiency of our export activities.

The questions which are to be answered, the things which must be changed, are so diverse and so multifaceted in their connections that no one person, going it alone, could provide a suitable overall concept overnight which would contain an adequate clarifying response to each question. But that is not all. It would also not be commensurate with the essence of the desired change, which is characterized precisely by the joint nature of the search for answers to the questions facing us, characterized by a dialogue, by the joint weighing of the pros and cons of one or another response, in order to, finally, come to decisions which, together with all problems again arising from these decisions, are borne by all or at least by the overwhelming majority.

Socialist Democracy—Nothing Static

What became clear at the session of the Central Committee was that the truth must be sought after in a dialogue and not proclaimed ahead of time. This is true of the entire process of change which has now been initiated. It would not only be frivolous, but it would be contrary to the essence of this very change if efforts were made to define it in all its aspects exactly, as early as now. It is, moreover, more in line with the precepts of living socialist democracy, which we are striving after, if measures are not proclaimed "from above" from one day to the next, but, rather, if the appropriate bodies work out proposals rapidly and thoroughly—proposals that can then be discussed with all on whom they impact, with all of the people, in order that these proposals, which are carried by the will of the entire people, can finally be regulated in a manner that is binding for all. This truly has nothing in common with delaying tactics or stalling. Anyone who operates on the basis of such criticism clearly does not notice the clear contradiction in which he is moving when, on the one hand, he claims that the citizens must be more strongly involved in decisionmaking, that decisions which are to be made must be discussed more broadly and more thoroughly, and, at the same time, if he anticipates that decisions will be taken on all mentioned troublesome problems as early as tomorrow.

We are serious about the development of socialist democracy. We are ready to conduct a dialogue with all citizens, we are willing to consult on how the most recent and also the old problems that are troubling our country can be solved—through newly motivated action, because only if joint dialogue results in joint action can we solve that which jointly troubles us today. It is all the more necessary to find a way to effect a specific and substantive exchange of ideas following the outbreak of frustrations and emotions.

This country belongs to all of us. All people, even those who think differently from ourselves, should be able to feel at home in it. In order to be able to manage well in this country, together we must approach each other with mutual respect, we must listen to each other, and speak with each other—and also contest with each other—based on the fact that consensus is reached by permitting dissent, but by insisting that, in the face of all available dissent, socialism on German soil is not at risk and that its values, ideals, and the hard work which went into fulfilling them are inviolable.

Just like socialism in general, socialist democracy in its forms and manifestations was not and is not anything static for us—nothing which is given once and for all. How socialist democracy develops depends on the all-societal ripening process, depends on how security and strengthening of socialism and the well-being of the citizenry is best served under socialism. This means that the criterion is solely and uniquely the well-being of mankind under socialism. Except: that which the citizens perceive as being their well-being—over and above that which was jointly accomplished and achieved over 4 decades—how they desire to copropose and coshape it, that must be the subject of understanding in open discussions so that it can be jointly tackled.

If we continue to democratize our lives, if we continue to shape our socialist pluralism, then part and parcel of this is a readiness to live with divergencies in concepts, and understanding of the fact that the broad development of socialist democracy will make it a normality for us to live with differences in concepts which are democratically articulated. However, to embark on this path presupposes that it will not be abused by anyone for unlawful actions, for irresponsible violence and destructive activities. Neither violent actions nor violence slogans have a place in the great clarification process ongoing in our country. All those to whom our republic, to whom socialism means something are challenged to secure law and order, to protect the peaceful work and the values which we have all created for ourselves, and, particularly in the interest of the striven-for renewal, to keep their distance from those who are striving to organize chaos and violence, actions which could get out of control and could have unpredictable consequences. All problems in our society—and we permit ourselves to be guided by this precept—are politically solvable.

The Communist Identity of a Comrade

We direct our eyes forward to the shaping of our socialist society, toward its constant renewal. But we also have no reason for excluding our past. As unworthy as penetrating self-admiration is for Communists, we have no need to conceal that which has been created in our republic. "There is no reason to underestimate that which has been accomplished and to place it in question, only because that which has not yet been accomplished has resulted in questions."² That which has been created and experienced as such weighs in the struggle for the expanded shaping of socialism. In this dispute, the media—but not only they—are challenged here; all comrades, friends, and fellow

combatants are challenged to move together, shoulder to shoulder. The tenaciousness, the Communist identity of a comrade is particularly proven at a time when storms are gathering, when it is important to take unified and closed actions in word and deed, when it is important to take responsibility for our party by reliably building on each other. Much is subject to critical and self-critical discussion and much will continue having to be thoroughly discussed in order for us to learn from mistakes. This critical self-testing could, however, lose its meaning if we fail to direct our energies in this clarification process at rendering the initiated changes irreversible and permitting no one to shake the foundation pillars of our state.

This results in new methodological and substantive requirements. It is important to learn to conduct the struggle, the controversial argumentation, under the new conditions and to join them with courage. We must also pose new substantive questions, as well as questions which, although they are not new, require renewed clarification under the new conditions. A dialogue dealing with the future shaping of socialism, involving those who have reservations toward us, but profess to be socialists, presupposes, for example, an understanding as to what socialism actually is, what constitutes it, and on what it must be unrenounceably based. Other than that, we will speak past each other and find no consensus for the further development of socialism. At the same time, this presupposes that we will clarify our picture of socialism and gain clarity about how it must look.

Thinking about how, in the spirit of our deepest humanitarian perceptions of the world of tomorrow, the everyday situation here must be shaped quite specifically and very prosaically in order to let everyone find out that we are struggling for a worthwhile future in our homeland for all—that is the order of the day. Toward this end, we must work out both a substantive and courageous forward-looking conception which takes into account the interests of all citizens, with all those to whom our republic and socialism are important. In the process of even critical self-examination, EINHEIT will make its contribution toward this conception.

Footnotes

1. Speech by Egon Krenz to the 9th Session of the SED CC, NEUES DEUTSCHLAND, 19 October 1989, p 1.
2. Ibid., p 2.

SED Reforms, Developments, Policies Reexamined
90EG0067C East Berlin EINHEIT in German Vol 44 No 11, Nov 89 (signed to press 19 Oct 89) pp 984-989

[Article by Prof Dr Otto Reinhold, rector of the SED [Socialist Unity Party of Germany] Central Committee's Academy for Social Sciences: "Searching for the Best Solutions"]

[Text] With the transition into the fifth decade since its establishment, the GDR finds itself in an important and, at the same time, difficult sector of its development. It is

important to answer the question as to how the socialist society in our country will be shaped in the 1990's, how it is to be and must be constantly renewed. This can only happen successfully if all conceptions and final conclusions are based on the realistic situation, on the interests, requirements, and expectations of the majority of our people and take them into account. However, in recent months, the realistic situation has undergone substantial change. The fact that many citizens have turned their backs on the GDR has advanced this factor into the foreground in a particular way. It was not only for objective reasons that a majority of problems accumulated—problems which require urgent solution. Hardly at any other time period in the history of the GDR has there been so much comprehensive and intensive discussion of this problem as is the case at present.

The determination of our party to conduct a comprehensive, substantive, and open discussion with all citizens of our country with the goal of jointly taking hold where that is required was affirmed by the Ninth Session of the SED CC [Central Committee]. Immediately following his election as general secretary of the SED CC, Comrade Egon Krenz underscored that "we will, without procrastination, continue on the path adopted by the proclamation of the Politburo of 11 October... The declaration is not a tactical paper. A party such as ours has no other interest than the people. When the affairs of the people are concerned, what is primarily important is courage for the truth, the strength of convictions, and tenaciousness. We affirm this anew in this session of the Central Committee. Our visage faces the people."¹

The determination that the shaping of a developed socialist society represents a process of deep political, economic, social, and spiritual-cultural changes is among the most important findings of the program of our party. This determination was and is repeatedly cited. In the dialectic of renewal and continuity, the necessity for renewal processes in many sectors of the social life has clearly advanced into the foreground. Nothing is more harmful to socialism than stagnation—irrespective of whether society as a whole or individual sectors are involved—because it leads to contradictions and social conflicts.

Reforms on Our Revolutionary Path

On the occasion of the 40th anniversary of the GDR, we were able to draw a positive balance of these 4 decades. The GDR was able to achieve a respected place in international life. In the economic and social areas, dynamic development had taken place. This was only possible because the SED [Socialist Unity Party of Germany] proved capable of reacting to new challenges, of drawing new final conclusions, and of winning the majority of the workers over for practical solutions of arising problems. We have also repeatedly underscored this appropriate determination, but have not acted decisively enough in this regard, particularly in the most recent past. It is precisely for this reason that the activities of the SED today are more important than ever in never overlooking this experience and in consistently utilizing this ability.

This is all the more true in view of a number of problems requiring urgent solution, and new final conclusions are necessary. This is particularly true of unrestricted democratic cooperation on the part of all citizens of the GDR, of the broad dialogue to be conducted with all, including those who think differently from us. These are questions of the daily life, of working and living conditions among the workers and range through travel possibilities. And, inevitably, it is a matter of the decisive problems affecting the efficiency of our management, the quality and proportionality of production, the manner and structure of the necessary further economic growth, the necessary significant increase in performance. Dynamic renewal in this sense is the condition for solving contradictions in this process, for overcoming shortcomings and erroneous developments.

The principled attitude of the SED with respect to reforms was always determined by the concept that the democratic implementation of reforms in all areas of society is an organic and unrenounceable component of the socialist revolution and of the shaping of a new society. This was confirmed by the overall course of the unified revolutionary process in our country from the beginning. Our approach to the question of reforms can be summarized in three points.

First, socialism can only be successful if it prevents stagnation in any form, if it constantly undergoes further development, change, and, thus, reforms itself. In this sense, the reform process which was initiated in the 1970's must be continued under the conditions of the present and in view of the future challenges to a new level. Reforms are a fundamental condition for the further revolutionary development of socialist society.

Second, we do not need reform for reform's sake. The Ninth Session of the Central Committee affirmed that: "All that on which we agree and all that on which we disagree must be crystal clear with respect to its goal: to continue the development of socialism in the GDR, to hold socialist ideals high, and not to give up any of our jointly achieved accomplishments."² Our reforms must be aimed at making better use of the advantages, opportunities, and potentials of our socialist society for everyone more palpably; they must be used so as to be of immediate service to the interests and needs of the workers. Real results in the dynamic development of the economy, in social progress, and in the democratic cooperation on the part of all citizens, in the spiritual-cultural life, and in other areas are decisive.

In contrast, imperialist and social democratic politicians have totally different images of reforms in the GDR. They draw the wrong conclusion that we do not wish any kind of reforms, that we are not reform-minded from our determination not to permit anyone to rattle the socialist order. Obviously, they can only visualize reforms which lead away from socialism and toward some form of bourgeois order. Consequently, it is not surprising that the imperialistic enemies and their lackeys in the GDR are attempting to turn the discussion among the citizens

of our country in an antisocialist direction. But: "That which must be done or not done in the GDR, the kind of reforms which are to be accomplished, will be decided solely within the GDR." It is not the enemy, "but rather people with their worries and their readiness to cooperate which are the yardsticks for our work."³

Third, and this is based on the above, our concepts of reform will never be in accordance with the concepts offered by the other side, with their expectations and hopes. This contradiction will also be an essential element of the ideological and political class struggle in the future. The effort to compel us to undertake reforms which correspond to their concepts is a part of the imperialist strategy against the world of socialism.

Challenges for the 1990's

The further shaping of socialist society in the GDR, with a view toward the 1990's, faces serious new challenges which make new answers and final conclusions necessary. Naturally, the dynamic development of productive forces, performance capability, and our people's economy are the foundation for the above. They determine the scope for the continuation of the unity between economic and social policy, as well as for the solution of other problems besetting our socialist society. Economic-technical progress is accelerating the world over. The GDR can only remain a modern industrial state in the next decade if it succeeds in achieving peak positions in important areas of modern key technologies, particularly in the microelectronics industry. The competition struggle in international markets will intensify considerably. However, the GDR must earn around 50 percent of its national income through foreign economic activities and must, hence, export accordingly in order to be able to finance its absolutely essential imports. Greater export efficiency is, thus, one of the most important economic tasks.

The economy today requires both rapid solutions for a series of questions, as well as decisions covering medium- and long-range problems. The urgent tasks include the stable facilitation of supplies and services to cover the needs of the populace at a higher and growing level. But solutions to this problem neither fall from the heavens nor can they be brought about "by staff action"—by decree alone. They must include the democratic investigation of the concrete situation in these areas, of the goals, tasks, and practical steps by all impacted citizens, just as much as the readiness to contribute to them through personal performance. An open discussion is not the only thing necessary to accomplish the consistent prosecution of the performance principle. It is only effective if it is tied to the now required practical consequences.

Decisions on questions of medium- and long-range development include the precise determination of the type of economic growth. No one must overlook the

fact that we have no opportunities for extensive expansion. The necessary growth in national income can only result from intensive management, can only be achieved by lowering all forms of costs. This is only possible as a result of deep technological processes of change, which require a substantial capital investment.

At the same time, social needs, the satisfaction of which likewise requires a substantial economic investment, are coming to the fore. They include the essentially more rapid development of the production of high-quality consumer goods, questions involving the infrastructure, the services sphere, as well as protection of the environment. The solution to these tasks, which are of the greatest importance to our further development, challenges us to secure the proportionality of the people's economy, to find an optimum relationship between consumption, accumulation, and foreign obligations. Increasing economic efficiency, overcoming waste, irresponsibility, and sloppiness are more important than ever.

Mastery of the scientific-technical revolution is and remains a key question. The scientific-technical revolution is not only an economic factor, not only the wellspring of the rapid growth of production and economic efficiency. All areas of social life are increasingly influenced by it, even if we only think of the stressing of the environment, education and continuing education, health care, and free-time requirements.

Development of Socialist Democracy in the Foreground

It is part of the essence of socialism that dynamic growth of the economy is based on the conscious active cooperation of all workers. Motivation toward this end is the core question in the further shaping of our socialist society. This motivation is based on a multiplicity of factors: the unity of economic and social policy, the daily experience that scientific and technical progress is immediately coupled with palpable social progress, on the consistent prosecution of the performance principle, on the effective connection between social security, the performance principle, and social justice.

However, it is also obvious that the further development of socialist democracy has advanced into the foreground. What is of primary importance is whether and to what extent a citizen can identify with our socialist society, how he stands for its development in terms of the common good and in terms of his own interests. The core of the question lies in finding ways and means which assure the active participation of all citizens of our country in the decision, shaping, and control of all important social problems. Broad dialogue, open discussion of these problems, the public nature of all social affairs are important conditions in this regard.

We must take into account that, during the 1980's, a number of new conditions became discernible. First, decisions made in science and technology, in the economy, and in other areas of social life have far-reaching effects upon working and living conditions. The decision in favor of a certain technology is not only a technical or economic question. The lives of many thousands of people, or even of all of society, are substantially determined by this, be it in questions involving professional development, social relationships, free-time requirements, or the environment. So, it is only natural that all those who participate in, or are impacted by these questions desire to participate in the appropriate decisions. The new requirements levied on democratic life, which are brought about by the transition toward an intensively expanded type of reproduction, are inseparably connected with the above. As the level of technology rises, so do the role, the responsibility, and the creative opportunities of people. The creativity of individual workers, as well as their collectives, depend on the opportunities for democratic cooperation in the shaping of the reproduction process to a high degree. Economics and politics, economic strategy and shaping of the political system are ever more closely connected with each other. Yet, the appropriate final conclusions must be drawn from these findings and realized with all consistency. That is the essence of socialism, its fundamental characteristic: it can only be the work of all. And, naturally, such decisions are particularly important for young people, since they still have their life before them. Since objective interest agreements are not automatic, conditions for and ways and forms of the dialogue are required.

Second, the education of highly trained self-confident mature citizens is among the most important results of the 40 years of history of the GDR. The creation of socialist personalities has long been one of the fundamental goals of the SED. However, when we permitted this maturity to be restricted in practical life through all manner of patronizing, through inadequate discussion of open questions, through bureaucracy and heartlessness, and prevented it from unfolding comprehensively, serious conflicts were bound to occur.

We must not overlook that all progress also changes the conditions for relationships between the party and the people. It is essential to draw the necessary final conclusions for the activities of the party and of the social organizations within our country from this fact. Naturally, the leading role of the party demands that it develop a clear concept governing the further shaping of socialist society. But the broad and open dialogue is an essential prerequisite, both for the working out and also for the practical realization of these social concepts. And, above all, the leading role of the Marxist-Leninist party of the working class is based not on administrative requirements and functions, but rather upon the clarity of its conceptual ideas, on the strength of its ability to convince, and on the democratic verifiability of its arguments and proposals, upon the agreement of its

resolutions with the interests of the people, upon its ability to learn and to correct faults or outdated decisions, on the personal conduct of its members, on its inseparable alliance with the workers, and on its ability to conduct a dialogue.

And last but not least, the specific conditions of socialist development in the GDR include the extensive world openness which will, in the ensuing years, attain new dimensions under a multiplicity of aspects—through new travel opportunities and increases in tourism; through more intensive economic, scientific, cultural, sports, community, and other relationships; and, last but not least, through developments in the area of the media. Connected with this fact is the circumstance that, in the GDR, there is no ideological vacuum and that no ideological vacuum can exist. Everywhere where socialist ideology is not disseminated and strengthened, other ideologies will establish themselves. And this also means that everywhere where we do not ourselves uncover problems, inadequacies, and errors and remove them, enemy influences will make themselves felt.

In its theoretical findings and in its sociopolitical thinking, the SED has long held that socialism, in its present developmental stage, is a society in which divergent classes, strata, and groups, having diverse interests, exist; a society in which Marxist-Leninist ideology dominates, but in which there are also other world views. A multiplicity of interests and fundamental solidarity do not constitute any contradiction. After all, everyone lives in a society, is a citizen of the socialist GDR and—with few exceptions, because there are also enemies of socialism—everyone is interested to see to it that this society serves the well-being of the people, that man continues to remain at the center of things, in the face of constantly changing conditions. Consequently, it is important to win over everyone to cooperate, which also includes conducting a dialogue with those who think differently from us, it is important to change our thinking so as not to be opposed, in most cases—and primarily not automatically—to socialism, to the interests of the people and peace in a hostile manner. An essential demand for the future development of socialism in our country is the timely recognition of socially important questions, the drawing of acceptable final conclusions therefrom, and the conduct of a dialogue with those who think otherwise. And a dialogue is always a two-sided social learning process.

For Balanced Unity Between Economic and Social Policy

The unity between economic and social policy is and remains the core of our social conception. However, a number of important challenges are connected with this today as well as in the coming years. Since this policy was agreed upon by the Eighth SED Party Congress in 1971, constantly new conditions had to be taken into account. The policy was only feasible because the dynamic development of the economy, the work of the people, repeatedly created the necessary material conditions. Today, it

is clearly discernible that this policy requires a substantially higher performance on the part of our economy in the 1990's.

Yet, in continuing the policy of the unity between economic and social policy, these matters are not the only ones at stake today and tomorrow. It is more important than ever to answer the question as to how this unity can and must be brought into balance in the future? Here, also, there can be no stopping and there can be no purely quantitative continuation, we must prove that we can master new challenges and tackle important processes of change. It was and is a fundamental principle that, within the framework of the social policies of our party, those questions are placed in the foreground which impact upon the interests and needs of the majority of the people. That is why a solution of the housing problem was placed at the center of the SED social policy as a social question. The performance which our state has recorded in this regard demonstrates the advantages of socialism in a particular way.

But the dynamic development of society brings with it the fact that a whole series of essential sociopolitical accomplishments have become a normality in our lives in the consciousness of the populace. Ideals can lose their motivational force once they have been realized and if we are not aware that that which has been accomplished can only be secured and further expanded through daily new high performances. However, primarily: "Wherever striven-for ideals are already seen as sociopolitical accomplishments and wherever contradictions are lost from sight as a result of these uncontested successes, initiatives are subjected to degradation."⁴ And, at the same time, the dynamics of social development cause other, new, more demanding social and individual needs to move into the foreground. It is particularly this process which reached a new stage in the GDR at the end of the 1980's and the contradictions connected with it were exacerbated.

This gave rise to tasks, the early solution of which presupposes the primarily unvarnished stock-taking, careful consideration, open-hearted consultation with citizens and the inclusion of their proposals. In this connection, many questions are up for discussion, including the question as to how we can more efficiently shape our policy on subsidies from the economic and social standpoint. Not a few citizens state, for example, that they would be prepared to pay higher tariffs for one or another performance, if our system of services were to function better and more efficiently.

The challenges of the times include the fact that the argument between capitalism and socialism has become essentially sharper. Ruling imperialist circles are making maximum efforts to interfere in the reshaping processes which are ongoing in the world of socialism and to force them in a direction which leads away from socialism. The fact that the GDR stands at the center of these assaults is not particularly surprising. Our republic is not located across from just any capitalist country, but rather

the FRG which has the greatest economic potential in western Europe at its disposal, and the greatest military potential in the NATO Alliance, after the United States.

The FRG is among the countries having the highest standard of living for the larger share of workers and has at its disposal a considerable degree of political influence. As it turns out, this potential is being fully committed to the assault against the GDR. And it is this potential which today, and in the future, will exert the deepest influence upon the yardsticks of our own development. We shall have to live with that.

It is all the more important, in the interior of our country, to prosecute all those innovative processes which tend to maximize the stability and the attractiveness of the socialist society under these conditions. We approach this task, in the knowledge of its complexity and the efforts and performance it demands from us, with optimism. "We draw our confidence from the uncontested social progress that our people and the people of the fraternal countries, in the face of all that is yet to be done, accomplished in a historically short period of time. This knowledge and that which was accomplished provide us with the unshakable certitude that we shall also master the challenges of the next decade."⁵

Footnotes

1. Speech by Comrade Egon Krenz, Ninth Session of the SED CC, NEUES DEUTSCHLAND, 19 October 1989, p 1.
2. Ibid., p 2.
3. Ibid.
4. Ibid.
5. Ibid., p 1

Marxism's 'Truth' Reasserted

90EG0067D East Berlin EINHEIT in German Vol 44
No 11, Nov 89 (signed to press 19 Oct 89) pp 1002-1008

[Article by Prof Dr Heinrich Opitz, director of the philosophy staff at the SED [Socialist Unity Party of Germany] Central Committee's Karl Marx Party College: "The Communists and the Truth"]

[Text] No sentence in this century enraged the numerous critics of Marx as much as the simple and yet so important statement by Lenin from 1913: "The teachings of Marx are all powerful because they are true."¹ One had to gradually become accustomed to the vitality of Marxism. However, under no circumstances was Marxist theory permitted to make a claim to the truth. That is why, entire legions of bourgeois politicians and ideologists have taken the field, to this day, primarily against the claim to truth made by Marxism.

In recent times, they liked to justify this campaign by pointing out that the media in the GDR paid no attention or paid far too little attention to contradictions and difficulties besetting our path, to the dark sides of life. Indeed, not a few items of information and depictions were characterized by being unrelated to real life, by one-sidedness and superficiality. As bitter as our own criticism of this situation might be—it is not an argument against the truth of Marxism, nor is it an argument intended to support the allegation that Communists would find it difficult to live with the truth. It is worthwhile pursuing the question of the truth in the struggles of our time.

Truth and Lies in the Struggles of Our Time

The question regarding the truth and validity of Marxism includes the answer to the question as to whether mankind needs social science or not for the sake of its continued existence. Anyone who makes a serious effort to scientifically and deeply define social developments, anyone who strives to bring about a human image which is commensurate with scientific claims, anyone who, above all, searches for constructive, humane answers to the solution of the great problems of mankind in our times, cannot get by without Marxism-Leninism. "We will require a lot of courage and a lot of strength in order to assure the survival of mankind, in order to shape the world...in joint effort peacefully and with decency—but we shall also need vision so as to correctly assess our own situation and the conditions surrounding us. For this, we need Marx."² These words were written by Ackert Spoo, the 1982 chairman of the DJU [German Journalists Union] at the IG Printing and Paper Corp., in a "Letter to a Companion in the Peace Movement."

Marxism's claim to truth is primarily disturbing to those who are accustomed to regard and "explain" matters in a manner which serves the interests of large-scale capital. What is true is what serves the interests of capital—that is, to bring it down to a common denominator—the motto of the ruling forces of capitalism, since the time that the bourgeoisie came to power. Marx wrote that the accession of the bourgeoisie to power marked the beginning of the "death knell for the scientific bourgeois economy" because "it was now no longer a question of whether one or another theory was valid, but rather whether something was useful to capitalism or harmful, whether it was comfortable or uncomfortable, whether it was legal or illegal."³

There is no indication that anything has changed today regarding this disturbed relationship toward the truth in the imperialistic nations. Quite to the contrary. The truth is stood on its ear more than ever when it comes to justifying the imperialist system or when it comes to placing socialism in question.

In so doing, the enemies are "masters of the essential rule applicable to professional liars that one must lie truthfully, that is to say, that the lie needs an admixture of truth so as to be able to fledge."⁴ It is, for example, true

that for a brief period in the past there was a "great German Reich." Yet, this Reich declined in the fire of World War II. It was smashed—which was fortunate for mankind, for the Germans, and for the salvation of human civilization. In reality, there can no longer be the slightest question of the possible continued existence of this Reich. It only exists as a concept worthy of striving for in the heads of those German revanchists and neofascists who would, in retrospect, like to change the results of World War II to benefit them. Nevertheless, ministers of the Bonn government and representatives of the neofascist movement in the FRG disseminate the great lie of the "continued existence of the German Reich within the borders of 1937" without any scruples. It apparently does not even cause embarrassment that this had been the fascist German Reich which was the source of so endlessly much evil. There are surprisingly not a few people in the FRG who fall for this lie, accept it as the "truth" and once more fall victim to dreams of a great Germany. The current government in Bonn needs this lie, since it uses it to justify another lie—the untenable and unjustified thesis that it has "custodial obligations" with respect to all Germans.

The imperialist system is, in fact, on a war footing when it comes to the truth, which is the reason why, in imperialist nations, the idea monopoly of large-scale capitalism is regarded like the apple of the eye, that media concerns are deliberately promoted, and, above all, money is expended to create institutions and to educate experts who understand how to cleverly manipulate public opinion. At the same time, the most diverse theories are disseminated to indicate that it is not worthwhile to seek the truth or even to pursue it. One must be able to live with daily disinformation, since only confusion would result if one were to constantly probe or cast doubt upon certain information—this is the fundamental thought in a book on media policy which was recently published in the FRG.⁵ And philosopher Paul Feyerabend writes in his book entitled "Perceptions for Free People" that truth is not important for ordinary life. "What is so important about the truth? Why should it be pursued?... What is this thing? Almost no one can provide a usable answer,"⁶ he says. In other words, a "free person" in the West does not need the truth—what cynicism! Ignorance makes judgment easier, according to a well-known aphorism. But ignorance makes the spiritual manipulation of man much easier. At this point, the purpose which such "truth theories" serve becomes clear.

Our concepts of freedom and truth are different. Freedom includes the ability to judge and make decisions based on knowledge—knowledge that is pure and characterized by truth. Consequently, the dissemination and defense of truth is unrenounceable and absolutely necessary to the shaping of socialist society. Under socialist conditions, truth is very good "for ordinary life," both for the individual and also for all of society. A social order which is established on the basis of scientific principles, for which the conscious creative collaboration of all people to the benefit of everyone is the

decisive condition for its functioning—such a society requires the existence and development of truth, its mass dissemination and prosecution in the face of all other restricting factors.

Also, particularly at this time, we are interested in uncovering the problems and shortcomings in shaping our society ourselves, in identifying them, and, thus, strengthening confidence and also regaining confidence in order to master the problems and new tasks together. "We want a good type of socialism and not the predatory law of capitalism," declared Hannelore Starke, an instructor at the Chemical Fibers Combine at Schwarza, in characterizing the fundamental attitude of her colleagues. "But we must live with the truth and must also address the accumulated questions dealing with a fair performance system, dealing with supplies, with the inflated administrative apparatus, or with formalism and we must seek solutions," she said.⁷

Dissemination of the truth is and remains an inexhaustible source of our strength. On it is based the firm trust relationship between the party and the people. "Socialist society needs the debate because it is an enlightened society. It needs a knowledgeable, well-informed citizen who, of his own free will, acts for the common good. It needs a citizen who wants to be included in those decisions which impact upon him and his country. It needs a self-confident and critical and mature citizen."⁸

It is precisely for this reason that all social forces and institutions in our country levy the maximum requirements with respect to disseminating and prosecuting the truth, primarily on our leaders, on scientists, on propagandists and agitators, but no less upon the public media. Losses of confidence occur mostly in cases where information is imprecise and one-sided, where information, to a certain extent, does not encompass "the entire" truth, where propaganda and immediate reality differ.

What Is Truth?

The question of truth is certainly among the oldest questions which have, hitherto, occupied the thoughts of man. No matter how controversial this topic may have been, the existence of truth was never verbally brought into question; this was not possible anyway because every statement to the effect that there is no truth always had to be a tongue-in-cheek exception—namely, the truth of this very statement. It, thus, contradicted itself. The dispute arose with respect to the question: What is truth?

In this dispute, in the final analysis, the idea prevailed in science that truth should be defined as the agreement of findings with objective circumstances. This view is also shared by Marxist philosophy. Accordingly, truth is determined as the character of findings, of thoughts, testimonials, and theories on reality. For example, if a testimonial regarding a reality is in agreement with the state of affairs which is being attested to, then the statement is true.

The same is true for theories which represent a certain quantity of systematically arranged true statements regarding reality. Lenin's findings that "the theories of Marx are all-powerful because they are true" refers to this precisely. Thus, for example, the materialistic concept of history (or historical materialism) reflects basic objective legalities of social development, both in terms of its individual statements as well as in terms of the whole social theory. The class struggles between the bourgeoisie and the proletariat in the past and at the beginning of our century, the entire course of social developments confirmed the agreement between Marxist social theory and social reality and this is why Lenin also wrote of the "all-powerfulness" of Marxist theories.

In the final analysis, the truth of statements and theories is determined by the object, that is to say, by the agreement between the mental images contained in the statements and theories with objective reality. This agreement can always be exactly determined, perhaps with the assistance of experiments, comparisons, tests, and last but not least, through practice which is best suited to compare statements and objects with each other and to determine the truth of findings. Marx noted in his "Thesis on Feuerbach" that "in practice, man must prove the truth, that is to say, he must prove the reality and power, the secularity of his thinking."⁹

All of this is easily said, but extremely difficult to bring about. For example, it took several centuries, in recalling the process of precise natural findings, in dispute with false theories, and in the struggle against the dark powers of the Middle Ages, to impart the truth of the knowledge that our planet moves in a specific orbit about the sun and not vice versa. If the truth regarding the theory of gravitation and the movement of celestial bodies did not exist, it would be impossible to inject an earth satellite into a desired orbit. Today, every educated individual knows this, although the bare appearance of things tends to contradict the above-named truth regarding the movement of our planet about the sun. Judging by appearances, our earth looks like the fixed point about which the sun moves daily from east to west.

In social matters, the determination of the truth of statements and theories is more complicated—for example, class interests in the shape of the party-mindedness of theoreticians plays a not insignificant role in this regard—but, in principle, the same rules and criteria apply here as they do in nature. Thus, the truth of the well-known statement of the "Manifesto of the Communist Party" that all of the hitherto written history is a history of class struggles¹⁰ is adequately confirmed by the social practices of the past as well as of the current epoch. Because the truth of findings is embodied in their agreement with reality, subjectivistic considerations of the most varied type must always have a detrimental effect on the finding of truth as well as on the handling of truth. Truth cannot be legislated or determined by majority resolution or by merely referring to authorities—it must, moreover, be won and established through dialogue. Anyone in the Communist movement who

handles truth in accordance with the recipe which states "nothing that must not be true cannot be true" will—as facts demonstrate—sooner or later suffer a disaster because the strength and force of our movement is essentially based upon being in accord with the objective course of social developments.

Glossing over or the tendency to become intoxicated with successes, obscured self-depiction and obdurate ignorance of obvious facts, but also a simple inability to make a realistic and sober assessment of a given situation prove to be serious obstacles in uncovering and disseminating the truth about social factors and, as a result, also constitute obstacles to the liberation of creativity and initiative. In view of the justified criticism levied against the information and media policy in our country, we must acknowledge this bitter truth. Anyone who is truly concerned with truth, however, must not lack the courage to uncover this painful truth—the Ninth Session of the SED CC [Central Committee] clearly proved this through its decisions. The careful handling of truth is a high and constantly self-renewing requirement levied upon the activities of Communists, not lastly also in view of the constantly advancing knowledge process.

Truth and the Progress of Knowledge

For some considerable time now, the imperialist media, perhaps based on Feyerabend's finding that "no one can come up with a usable answer to the question of truth," have emphasized that, accordingly, there is also no "monopoly on the truth." This thesis is in no way meant only as a blow against Marxism, which is alleged to hold the view that it has alone always "held the lease on truth in parity" for everything. The above thesis primarily fulfills an urgent apology function—and not without skill, at that. Tongue in cheek, the truth of their own imperialist theory is advanced and is given the appearance of modesty by not advancing any monopoly claims. To a certain extent, everyone can have his own truth because no one knows precisely how things truly are. At first glance, this is possibly captivating. But does this not cause the problem of the truth to disappear in principle—so to speak, by sleight of hand?

What does it actually mean if there is no truth available with respect to an event, which is binding for all and, thus, if there is also no monopoly upon this truth? By the rules of all logic, this can only mean that no reliable attestations can be made with regard to the event under consideration because, perhaps, it remains concealed from a more precise and more comprehensive type of examination or because the given means of knowledge are as yet inadequate. Seen in this light, the above-named thesis that "there must not be a monopoly on the truth" makes a certain amount of sense, since it is based on the admission that there is a certain amount of ignorance regarding the facts in question. However, if this thesis is persisted in, if it is proclaimed to be the all-encompassing principle which demonstrates the fundamental inventory of all knowledge, then, in merciless consistency, it leads to the conclusion that, in the final

analysis, there is no truth. In other words, one must already say quite precisely what is meant by the "monopoly on the truth" and must not permit the colloquial meaning of the word to act as an irritant.

The most valuable results of the long history of all sciences could undoubtedly include the finding that: truth is always specific! There are no abstract, extra-worldly truths; but rather, the truth of knowledge is always determined by a specific state of affairs and by practical living conditions which are reflected in this knowledge. This means that there cannot be an arbitrary number of statements dealing with an arbitrary event or an arbitrary situation which would be mutually contradictory, exclusitory, and at the same time—in one and the same respect—also be true. With respect to the specific question, for example, as to "Who split Germany?" there is a clear and specific answer which is also based on the specific facts: it was the representatives of West German large-scale capitalism in collusion with the imperialistic Western Powers who, in accordance with their slogan: "Better half a Germany whole, than half of all of Germany," implemented this split.

No one can sneak past the specific character of the truth. This is also referred to by Communists with respect to their own revolutionary struggle experiences and their scientific reflections. Application of the generally valid truth of Marxism and Leninism always takes place under the specific historical and national conditions which exist in every country. Consequently, the knowledge gained in this process can also not claim validity applicable to all countries. There is no such monopoly. Marxist-Leninist science is shaped by its internationalistic character. It develops and perfects itself through the generalization of the combat experiences of the working class of all countries. If truth is conceived to be agreement between knowledge and the reality which depicts it, then it is readily apparent that the recognition of truth must always be seen as a developmental process. If reality changes, then testimony about it must also change, develop, be perfected, in order to remain true. If new and deeper insights into the developmental processes of nature and society are obtained, then existing knowledge is expanded, augmented, rendered more precise, purged of possible errors, and corrected; under some circumstances, this knowledge must even be rejected because it has turned out to be wrong. Marxism-Leninism refers with emphasis to the fact that recognition of reality by man is a dialectic process, a process involving the constant approaching of thought and object. In this connection, Lenin noted that "our knowledge should not be held for something finished and unchangeable," it was, moreover, important to "investigate how knowledge arises from ignorance, how incomplete inexact knowledge becomes more complete and more precise."¹¹

By its innermost essence, Marxism-Leninism is a developing science which is constantly being enriched and perfected, primarily on the basis of theoretical analyses and generalizations involving new practical combat

experiences of the working class. This process, as is the case in every other science, does not occur without problems. There is no way that conclusive answers can be found immediately for new questions involved in the struggle. And, without a doubt, our theory also does not provide us with any ready recipes in this regard. To be able to find answers to new questions, intensive creative work is necessary, which also includes the inevitable search for the most purposeful solutions in practice. Developments do not always occur in a precalculated manner because they were influenced by unexpected, unforeseen, or unforeseeable events. Also, errors which do not become discernible until the knowledge process is advancing cannot be excluded. Added to this is the fact that new findings and new insights are not automatically carried through. Not infrequently, this requires argumentation with revisionist or ossified, dogmatic views.

To Be a More Upright and Undaunted Fighter for the Truth—The Requirement Levied on Every Communist

The truth serves the interests of the working class. Party-mindedness and the truth tolerate each other well and are in accord with each other. This was precisely why Friedrich Engels wrote his well-known sentence: "The more carelessly and uncaringly science proceeds, the more it finds itself in harmony with the interests and the aspirations of the workers."¹² In their struggle for the truth, against the fascist lie and the stupefaction of the masses, Communists did not shy away from jails nor from the concentration camp, nor even death. Thousands of other anti-Fascist fighters, Christians, Social-Democrats, Liberals, people of divergent opinions and class membership fought and died together with Communists for the dissemination of truth. These fighters for truth were able to prevail in 1945 with their heads held high before the nations of the world.

The commonality of the struggle of Communists and those who think differently for truth, against the fascist lie, very impressively contradicts the claim which is presented today by bourgeois ideologies that the Marxist claim to the truth is allegedly a detriment to the cooperation and coming together of various social forces in the solution of tasks in the general interest. The currently unfolding worldwide peace movement to save mankind from a thermonuclear inferno, in which Marxist-Leninists, together with representatives of other ideals, are acting together in obligation to pursue a common goal without claiming any special rights for themselves, also contradicts this allegation.

Social development in our country shows how fruitfully Marxist-Leninists, religious believers, representatives of petit bourgeois and bourgeois views, those who hold divergent views, can collaborate when allied in common interests and goals. The 40 years of the existence of the GDR have proven: the more effectively the ideals of the revolutionary worker movement and the anti-Fascist struggle, the ideals of peace and freedom, democracy, solidarity, and human dignity have achieved practical validity in the shaping of socialism, the more they

became a motive for all social forces and the more they were reflected in the content of the very work involved in strengthening the GDR as a common fatherland. This commitment simultaneously preserves the historical experiences of peasant freedom struggles, desires which are of a liberal and bourgeois-democratic conviction, as well as the consequences stemming from Christian ethics. Marxist-Leninist theory, thus, gives rise to a significant integrating force. It makes it possible, transformed into true politics, to find consensus in the mastery of social progress which opens room for every citizen, irrespective of social origin, irrespective of world view and religion, to engage in democratic participation, to do good work, and to unfold his personality.

The Communists are also not afraid of uncomfortable truths, particularly where their own cause is concerned. It is particularly because of this cause of ours that we are more than ever urgently obligated to react to the requirements of the times with competence, consistency, and courage for truth, to find answers for questions which are not simple, which are waiting for solutions in our country. This pertains, for example, to questions dealing with the discontinuity in production, the disproportion between production and goods supply, inadequate export efficiency, as well as to questions which are connected with the as yet inadequate prosecution of the performance principle or with serious shortcomings in performance activities involved in the development of the willingness to perform and the development of the working morale of the workers. To face these and other problems honestly and openly will be uncomfortable for many of us. But, to quote Lichtenberg—"one cannot carry the torch of truth through a crowd without singeing someone's beard."

Everyone who is concerned about truth in our country should bear in mind the words spoken by Comrade Egon Krenz on the occasion of his election as chairman of the GDR Council of State: "With the ninth session of its Central Committee, the Socialist Unity Party of Germany has outlined, in large contours, a picture of the present situation in our society. It places the undeniable truth in the foreground that, in our German Democratic Republic over the last four decades, under the leadership of the working class and its party and as a result of the diligence of our entire population, much was achieved which unalterably shapes the socialist features of our country. This is of lasting value and we protect it. At the same time, the assessment refers to many complicated developmental problems and subjectively caused error developments, the overcoming of which require extraordinary effort and is not possible from one day to the next. Socialist society finds itself in a great learning process. No one should withdraw from this process; and I also mean those people who believe that the pathway to the truth can be found or even embarked upon with emotions alone."¹³

The question of the truth is too important to be handled frivolously. Under socialism, truth is an indispensable instrument for shaping socialism, for its continued

renewal. It is part of the essence of Marxism-Leninism which exerts its growing influence upon the great thoughts of our time only via the truth and as a result of it.

Footnotes

1. V.I. Lenin, "Three Sources and Three Components of Marxism," "Werke" [Works], Vol 19, Dietz Verlag, Berlin, 1962, p 3.
2. "Letters to an Associate in the Peace Movement," in "Zum 100 Todestag von Karl Marx" [On the 100th Anniversary of the Death of Karl Marx], special volume of Marxist studies, Frankfurt (Main), 1982, p 372.
3. Karl Marx, "Das Kapital," Vol 1, "Werke," Vol 23, Dietz Verlag, Berlin, 1962, p 21.
4. Friedrich Engels, "How Pindter Fibs," "Werke," Vol 19, Dietz Verlag, Berlin, 1962, p 314.
5. Wolf Schneider (publisher), "Unsere taegliche Desinformation—Wie die Massenmedien uns in die Irre fuehren" [Our Daily Disinformation—How the Mass Media Are Misleading Us], Stern-Buch, 1988.
6. P. Feyerabend, "Erkenntnis fuer freie Menschen" [Knowledge for Free Men], Suhrkamp, 1979, p 264.
7. NEUES DEUTSCHLAND, 18 October 1989, p 1.
8. Speech by Comrade Egon Krenz to the Ninth Session of the SED CC, NEUES DEUTSCHLAND, 19 October 1989, p 2.
9. Karl Marx, "Theses on Feuerbach," "Werke," Vol 3, Dietz Verlag, Berlin, 1958, p 533.
10. See Karl Marx/Friedrich Engels, "Manifesto of the Communist Party," "Werke," Vol 4, Dietz Verlag, Berlin, 1959, p 462.
11. V.I. Lenin, "Materialism and Empirical Criticism," "Werke," Vol 14, Dietz Verlag, Berlin, 1962, p 96.
12. Friedrich Engels, "Ludwig Feuerbach and the Denouement of Classical German Philosophy," "Werke," Vol 21, Dietz Verlag, Berlin, 1962, p 307.
13. Egon Krenz, "The Well-Being of the People Is Our Elemental Guiding Principle," NEUES DEUTSCHLAND, 25 October 1989, p 2.

HUNGARY

Neutrality Issue Examined

90EC0149A Budapest VILAG in Hungarian
16 Nov 89 pp 10-11

[Interview with Laszlo Valki, international law specialist, by Laszlo Koros: "The Temptation of Neutrality; The Interests of the Soviet Union Cannot Be Defended Primarily in Hungary"; date and place not given]

[Text] The issue of Hungarian neutrality has gained surprising significance recently. Ever since 1956 this issue has been kept exclusively on the agenda of the democratic opposition. Three Soviet politicians, and several belonging to the Hungarian establishment, have stated that Hungary's departure from the Warsaw Pact would not cause any particular problem, but this idea belongs to the future, of course.... From the standpoint of the issue, however, the most important factor is the new European *modus vivendi* taking shape between Washington and Moscow, notably a tacit agreement to the effect that if the Soviet Union takes its hands off of Eastern Europe, the Americans will not take advantage of this situation to increase their sphere of influence in this region. We questioned Laszlo Valki, a department head and professor of law and political science at the Lorand Eotvos University of Sciences, concerning the conditions, circumstances, and possible consequences of Hungarian neutrality.

[VILAG] What are the legal possibilities of cancelling the Warsaw Pact?

[Valki] The 1955 agreement concerning the Warsaw Pact stipulates that if in 19 years, i.e. 1 year prior to its expiration, none of the signatories gives notice of cancellation, the Pact would remain in force for another 10 years following its expiration. Based on the same conditions, the Pact was extended in 1985. Accordingly, the next opportunity to present a notice of cancellation occurs in the year 2004. One should also realize that in addition to the Warsaw Pact we have reached bilateral agreements with each of the member countries concerning friendship, cooperation, and mutual aid. With regard to these agreements the emphasis is on the latter term ... this represents a military obligation. These agreements expire on various dates. If we want to free ourselves from military obligations, we would have to sever our agreements with both the Warsaw Pact and the individual member countries.

[VILAG] What does this kind of thing involve in practice?

[Valki] When Albania severed its ties with the Warsaw pact there was no public debate, but there was such debate when de Gaulle announced that France would leave the NATO military organization. De Gaulle claimed that circumstances at the time the agreement was reached had changed. The rest of the members disagreed, nevertheless the matter was settled by Paris when they called upon the central organs of NATO to leave Paris. If Hungary decided to take such a step today, it could terminate its obligations in either of two ways: on the basis of an agreement with the rest of the parties, or by claiming something....

[VILAG] In the event that we make a unilateral decision to leave the Pact, would it be acceptable to the rest of the parties if we claimed that Hungary did not want a repetition of 1956 or 1968?

[Valki] The next government will certainly have a fundamentally new composition and certainly may claim that circumstances have changed, that the domestic political situation has changed in two Warsaw Pact countries, and thus that the view of who is the enemy has also changed. On the other hand, the other side may claim that although the domestic policy situation has indeed changed, the composition of the integrated forces of NATO on the other side of the border remained unchanged. They may establish a claim that this latter factor counts more heavily than the domestic policy changes. Accordingly, a legal debate could ensue.

In my view, however, this matter is not primarily a legal issue, because a political agreement is somewhat more difficult to interpret than, let's say, the agreement on Bos-Nagymaros. The obligations count primarily in the framework of political agreements. In my judgment, at the moment—and I must stress that what I have in mind is as of today—the rest of the allies, and primarily the Soviet government, would not view favorably our consideration of leaving the Warsaw Pact.

[VILAG] In and of itself the fact that we would leave the Pact would not render Soviet military intervention a physical impossibility. Accordingly, Hungary's neutrality would not constitute a great disadvantage to the Soviet Union, by no means as great a disadvantage as if we were to say: "That's it" without Soviet concurrence. Certain signs and utterances by individual Soviet leaders suggest that the idea of a "farewell without disagreement" is not alien to them either.

[Valki] This is possible, but in my mind the main issue concerns not so much Hungary's membership in the Warsaw Pact, but the presence of Soviet troops in Hungary.

Regardless of what kind of government will begin functioning in Hungary come next year, it will endeavor to develop the most favorable military conditions since Hungary, in contrast to Czechoslovakia, the German Democratic Republic, and Poland, is not located in the area of the "central front." The Soviet troops stationed here have no particular significance from a tactical or strategic point of view. In other words, Soviet interests cannot be defended primarily from Hungarian soil. Military experts have raised the idea that from the standpoint of the Soviet Union, the defense of its own airspace is more significant. Accordingly, I find that it would be conceivable that in the framework of the Vienna disarmament negotiations and bilateral Hungarian-Soviet talks they would begin the withdrawal of Soviet troops stationed in Hungary, provided that chase fighter planes and rocket launching air defense units would continue to remain here. Since it is known both in the East and the West that Soviet forces stationed in Hungary have no real military warfare significance, and because in earlier days it was assumed that they would be performing police functions....

[VILAG] This assumption was not entirely without foundation.

[Valki] It was far from lacking foundation, up until most recently when it turned out that even though these forces were reduced only modestly, they did not interfere with Hungarian political processes in any way. Accordingly, if these forces do not have either strategic or "maintenance of order" functions, it really does not make sense for them to stay here. Conceivably, many people in the Soviet Union think the same way. Incidentally, many believe that political cooperation between Hungary and Warsaw Pact members is more important than military cooperation. In my view the reverse is true, that is, the way I see it, it is worthwhile to cooperate primarily with those countries in the Warsaw Pact with whom we share common interests, and it is apparent that we share common interests with the present Soviet government. As long as the present division of the world exists, I recognize the sense of military cooperation. It is yet another question that the system by which the Warsaw Pact is being directed should be democratized, because as of today, the Soviet Armed Forces staff plays an overly important role in it.

[VILAG] I do not believe that this concept could be applied in the long term. As a result of developments in Eastern Europe, medium- and long-range considerations may turn into short-term concerns quite rapidly. In the long term, the interests of the Hungarian people and Soviet politics do not coincide either. After all, just now Gorbachev is forced to yield some of his enlightened inclinations in favor of absolutism. In terms of domestic policies he is waging rear guard battles. It is possible that neutrality could be attained at a much faster pace. Incidentally, what does neutrality mean to a country?

[Valki] As an international law specialist I would say that the concept of neutrality represents many things. There is ad hoc neutrality, which means that a third country does not take part in an armed conflict between two other countries.

Permanent neutrality is more important from our standpoint. In such a case a state declares itself to be neutral, and neighboring countries as well as the great powers recognize that status, just as they did in 1955 in the case of Austria. The Austrian Parliament enacted a law which stated that Austria intends to establish a permanent neutral status for itself, and this status was recognized by the great powers as well as by the neighboring states. Thus there came about bilateral legal obligations between Austria and the rest of the states.

The third category constitutes so-called political neutrality, a matter announced by a state without agreements and without exchanging memoranda. This status may be terminated at any time by that state. And then there is the peculiar status of not being committed. This occurs when a state announces that it does not belong to any military bloc.

[VILAG] What are the features of the Finnish model State Minister Pozsgay thinks we should be following? One frequently hears about "finlandization," about the concept of having "life in the shadow of a great power."

[Valki] The Finns indeed tried to forget about the war of winter, 1940, and established excellent relations with the Soviet Union. The Finns have only one obligation: Their foreign and military policies must not be anti-Soviet, which is an almost "friendly to the Soviet Union" form of noncommitment, while full independence is being preserved.

[VILAG] What is the contractual basis for the present condition?

[Valki] A bilateral agreement between the two states was reached in 1948. It has been extended several times since. In some form, this agreement guarantees the independence of Finland, insofar as it establishes an opportunity for the Soviet Union to avert external threats aimed at Finland, provided that both countries agree.

[VILAG] In other words, the Finns may even count on Soviet military assistance. Now I understand why Imre Pozsgay prefers this alternative.... It appears that the Finnish-Soviet agreement actually favors the Soviets because no one presents a military threat to Finland.

[Valki] At the time the agreement was reached, and when it was extended, the situation between the two great powers, and later the relationship between the two military alliances was quite different. Soviet leaders felt quite strongly threatened by the existence of NATO, and this feeling is reflected in the agreement.

[VILAG] What would be the ideal way for Hungary to become neutral?

[Valki] It actually makes no difference from the standpoint of legal formality. Political independence can also be realized in the absence of an international legal framework. We have achieved that in practice already.

[VILAG] How would the West view us if one day we became neutral?

[Valki] At the moment we are more interesting to them than the already settled Austria or especially Switzerland; most people have not even heard of Swiss politicians.... Some reservations are expressed by the West concerning Hungary's neutrality, and in general with regard to changes in the Warsaw Pact structure. It is my impression that the West has become used to this structure in a somewhat complacent manner, and that it likes situations when dividing lines are firmly drawn. Yet it seems that sooner or later the West will have to develop a position in this regard.... We may ponder what is going on between Gorbachev and Bush, and in which direction changes in the GDR will proceed. Social processes evolve very much on their own, and external factors have an increasingly smaller chance of interfering with them. At best they may change these processes.

[VILAG] In the end, can we expect a positive or a negative response?

[Valki] A prediction of this is impossible. All of us involved in political sciences are somewhat embarrassed as a result of the accelerated events. In April, several friends of mine belonging to different parties and I played a game. We asked ourselves some questions, and the answers were sealed in an envelope, with plans to open the envelope 6 months later. As it turned out, in April, the participants—and again I emphasize, belonging to the greatest variety of parties—were certain that the Hungarian Socialist Workers Party would enjoy a majority status in the coalition government of the future.

Case for Preserving Warsaw Pact Presented

90EC0149B Budapest VILAG in Hungarian
16 Nov 89 pp 11-13

[Article by Laszlo Vida: "Should We Quit or Stay? The Two Military Blocs May Have To Play a New Role in a New Europe"]

[Text] The country is abound with the noise and sometimes, unfortunately, the rumpus of party strife, and reluctance concerning the question of how to elect a president casts a shadow over the struggle for mandates in Parliament. Far less is being said about the deepening economic crisis and about possibilities of recovery. But even less than that is said about foreign policy issues of the near future. Even though finding the proper path, our international orientation will have a decisive influence on all that we may already regard as achievements of our nascent democracy.

Seemingly there is broad agreement with regard to the fundamental orientation of our foreign affairs. Both those in power and the opposition urge integration with, and the joining of Europe; a national course which ties minorities residing abroad and the Western emigration more closely to the home country; and, although with different degrees of determination, one hears about the objectives of quitting the Warsaw Pact and achieving neutrality.

As far as the latter topic is concerned, the consensus in this regard may indeed prove to be illusory, not only because this desire seems to be most difficult to realize due to its strategic implications, but also because not even the opposition parties which carry the potential of forming a government have a detailed, developed concept of "quitting."

It appears, however, that an examination of the implications and consequences of changing our foreign policy orientation is missing not just because the opposition lacks a specialized staff. In times of aroused passions, in a period when politics are made with heated emotions, the ideas of quitting the Warsaw Pact and of neutrality are quasi taboos, nevertheless they have become kinds of sacred and inviolable minimum programs and demands

with which it would be inappropriate for any candidate with a chance of acquiring power in public life to argue about.

It is characteristic of the ongoing political bidding process that, for example, ranking leaders of the Hungarian Socialist Party [MSZP], including members of the government, have made a number of open references to the possibility of quitting the Warsaw Pact, even though the program of the successor to the Hungarian Socialist Workers Party [MSZMP] establishes a clear position to the contrary. Accordingly, it appears that a foreign policy aiming for neutrality is more popular than worthy of being made the topic of open and substantive discussion, at least prior to the elections, before a new government is established. Latent illusions in the public mind are being nourished at the same time by so many lines of reasoning published by the press throughout the world, discussing the fate of Eastern Europe.

But is there a sensible alternative to leaving the Warsaw Pact, or to an internationally guaranteed neutrality of the Finnish type? This matter is not at all negligible because in the framework of an expected coalition bargaining some compromises will be reached with regard to foreign policy. These compromises may result from opposing, but not mutually exclusive, views. And what if the opposite of the presently prevailing view is supported by a significant part of the specialized (foreign ministry) staff that prepares the decision. The fact that this would not be a professional view to be cast aside is signaled by Gyula Horn's statement the other day, according to which Hungary's stock in international politics would depreciate if that country were outside the Warsaw Pact. On the other hand, any direct relationship between our Warsaw Pact membership and the withdrawal of Soviet troops from Hungary was also denied by Horn when he announced that both Budapest and Moscow believed that Soviet troop reductions must be substantially accelerated in 1990.

Any realistic Hungarian foreign policy must start out from three important given factors. Our geopolitical situation can hardly be changed, and we cannot change our neighbors, including one of the military superpowers; on the other hand, we may make it so that we do not expect from others what we do not want for ourselves (i.e. by rejecting Soviet interference in our affairs, while at the same time expecting that the Soviets "establish order" in Romania or elsewhere); European development appears to be transcending the bipolar arrangement, the opposition and confrontation between East and West, moreover that situation is being replaced by a possibly intensifying opposition among countries in the East, while cooperation and expanded dialogue that have evolved in the framework of an Eastern and a Western military block become one between two integrating organizations.

Quite a few experts believe that the latter phenomenon will make it obvious that new foreign policy makers and even more so, the developers of newly shaped national

security policies, will require an actual change in paradigm. At present, this recognition represents the real watershed among Warsaw Pact countries, according to a foreign ministry official who asked not to be identified.

Incidentally, from this standpoint the Berlin turnaround represents a breakthrough. After all, even the initial reforms initiated in response to mass pressure demanded the adoption of an attitude different from the fighting anti-imperialist line followed by the GDR before. Accordingly, within the Warsaw Pact we are witnessing the evolution of a qualified "reform majority" because of the strategic weight contributed by the GDR and the Soviet Union, one that may only increase by accelerating political fermentation in Bulgaria and Czechoslovakia.

In arguing in support of quitting the Warsaw Pact one usually makes reference to the fact that the ideological contrast between the East and the West is increasingly fading, and at the same time military tension is relaxing on our continent. Nevertheless, two different conclusions may be drawn from this fact. The issue is presented in this form: Within the possible limitations of planning, what roles would the two military blocs play in a renewing Europe? It will require some kind of system that guarantees security, by all means. But it is possible that Europe will need no such system, because, simply put, time has transcended such systems, their dissolution is unavoidable, according to many. And yet, it is not useless to ponder whether it is worthwhile to sacrifice the two blocs which carried the seeds of the two regional integrations, which functioned, irrespective of whether they functioned well or badly, and which had their own conflict management capabilities. Should these blocs be sacrificed only because, hardly by coincidence, their names have an unpleasant sound after 40 years of European division? Doing away with these blocs would open the continent to so many longstanding discords, leaving the individual countries to reach a multitude of bilateral agreements, and to search for and build an entirely new collective security structure. At the same time, the foundations of a European balance that produced 45 years of peace in this area would be disturbed.

Perhaps one should not entirely rule out the possibility that in an age of "new globality" the tested coordinating and organizational framework of NATO and the Warsaw Pact may become useful, needless to say after having been recharged with a fundamentally new content. It is no wonder, then, that neither do ranking Western experts urge the hasty discontinuation of the two blocs. On the other hand, even more observers suggest that the military element be reduced to a satisfactory minimum by underscoring the political, and not the ideological attributes of cooperation. As a united (economic, political, legal, and cultural) region, the Europe of the future renders thinking solely in terms of military coalitions obsolete, just as it renders the goal of neutrality outworn and anachronistic. After all, in the midst of a transsubstantiated all-European (NATO-Warsaw Pact) cooperation, and in the absence of confrontation, the status of

neutrality would not only lose its meaning, it would also convey a sense of being an outsider, of being closed in.

The politicizing of the Warsaw Pact and NATO renders the reassessment of military doctrines as having a strictly defensive character indispensable, and the deployment of defensive weapons which are cheaper, and therefore are also more democratic, from the outset. Similarly, the defensive quality of these doctrines would be guaranteed by withdrawing all foreign troops from all countries involved. The requirements of "satisfactory defense" could be satisfied by the national armies, but their belonging to alliances would save these armies from excess costs they would incur by having to set up defenses all around the borders in the case of neutrality.

In weighing the disadvantages of our departure from the Warsaw Pact we find, of course, some additional damaging factors. One cannot hope with certainty that the West will continue to honor our initiative of having become "independent" from the Soviet Union, particularly if the new kind of domino principle prevails in East Europe. On the other hand, it is possible that if the Eastern European states which eye the Western markets and yearn to become part of the global economic bloodstream act together, they may wrest more fair, more favorable treatment from the West. Because it can be seen easily: The countries within this zone can catch up only together and only all at once; their separate attempts are doomed to failure. Most certainly no effort is wasted if one points out what we may perceive even as a dialogue within the bloc. With its century-old national conflicts Eastern Europe is a potential hot spot where a war could break out. It would be hard to imagine that once the Warsaw Pact is liquidated, these adverse feelings could be maintained in a neutral fashion, and that the East-East stability could be preserved.

We purposely left out from this discussion the obviously quickly occurring observations that contradict the alternative to leaving the Warsaw Pact. Anyway, these statements will be the first ones to be made in a program debate. Only one remark begs to be made here: Even without blocs there would be two Europes appearing at the threshold of the 21st Century. The civilizational abyss gaping between the East and the West was not dug exclusively by those who created the pacts. But perhaps the two blocs may venture to bury that abyss through a joint effort. Then, after the gap has disappeared, the two blocs may be found to be superfluous.

POLAND

Wierzbicki Categorizes 3 Solidarity Leaderships

90EP0155A Warsaw *TYGODNIK SOLIDARNOSC* in Polish 10 Nov 89 pp 1, 5

[Article by Piotr Wierzbicki: "Familia Swita Dwor"]

[Text] Who rules in Solidarity today? This is a most closely guarded secret. But skilled observers of events say

that Solidarity has three political centers today. The first center is the Presidium of the Citizens' Parliamentary Club [OKP]. The second center is the government of Tadeusz Mazowiecki. The third center is Lech Walesa and the National Executive Commission of the Solidarity trade union in Gdansk. And the people, who have always had an unerring linguistic intuition and a strange collective talent for finding succinct and elegant turns of phrase for political coteries (recall: the prewar and emigre "Belvedere" and "Palace" for "the supreme leadership group" and the "president's group"), the people, who have a talent for coining words, have given these three Solidarity centers of power charming, literary names. The group focused around the OKP Presidium is known (in hushed tones) as Familia [family]. The group surrounding the government of Tadeusz Mazowiecki is called (in hushed tones) Swita [retinue]. And the group surrounding Lech Walesa and the authorities of the Solidarity union in Gdansk is termed (in hushed tones) Dwor [court].

Let us take a closer look at the trio.

Familia (Surrounding the OKP Presidium)

It is easiest to isolate and characterize this group. Such political figures as Bronislaw Geremek, Jacek Kuron and Adam Michnik dominate it. Familia was not born in the OKP. It has a lengthy history which harks back to the opposition of the 1970's, the activities of KOR and martial law conspiracies. The nucleus of Familia emanates from the so-called secular left, but an influential group of Christian Socialists also belongs to it. Familia is social democratic in its orientation. It was not especially trusted by Primate Wyszynski and has carried on an open war with Primate Glemp for years. It knows how to act in solidarity, to stick together; it is ideologically cohesive, naturally disciplined and excellently organized. It is composed of determined, courageous, self-sacrificing warriors. It passed its exam well during martial law. *GAZETA WYBORCZA* is the organ of Familia.

Swita (Surrounding Mazowiecki's Government)

This group is difficult to characterize. It is only a few weeks old. Just 2 months ago, not only did Mazowiecki not have Swita, but he had almost no followers and seemed to be out of the game completely. Swita is not monolithic, but is rather an improvised coalition of personal friends, politicians and members of the government who come from completely different schools. The leader of the moderate current of a popular orientation, Aleksander Hall, is an eminent figure in Swita. Swita works together with the Church. Despite the fact that a significant part of it comes from the Catholic left, it is rather liberal in orientation. Swita lacks the militancy and the internal strength of Familia. On the other hand, it is described in terms of its moderation, its caution and the internal solidity of the premier himself, which engenders confidence. The daily *RZECZPOSPOLITA* is Swita's organ.

Dwor (Surrounding the Authorities of the Solidarity Union and Walesa)

This group is the most difficult to characterize, for while the members of the supreme authority of the Solidarity union are people whose orientation is union rather than political, Lech Walesa himself, in his position as union head, is also a national leader with a status that transcends that of union head (even though he sometimes denies this) and he is, in addition, a marginally antidoctrinal and pragmatic leader who does not lend himself to being wedged into any ideological cubbyhole. The most influential politicians of Dwor include: Jaroslaw Kaczynski, Lech Kaczynski, Jozef Merkel, Piotr Nowina-Konopka and Bogdan Lis. Dwor is neither leftist nor rightist. It maintains close ties with the Church. TYGODNIK SOLIDARNOSC is the organ of Dwor.

And so we have a bird's eye view, a sketch, of the panorama of Solidarity centers of authority, without taking into consideration innumerable indirect phenomena and exceptions. In my mind's eye, I envisage the reader of this text remarking gloomily, "The Poles are quarreling!", "Solidarity is falling!" and "We are lost!" Dear reader, if you are unhappy about what you have read so far in this article, take heart! Let me propose a little different viewpoint to you, a viewpoint which should comfort you. "The Poles are quarreling!" Why do we immediately jump to say they are quarreling? Does the fact that Solidarity has these three centers automatically mean that they are quarreling with each other? Indeed, it is plainly visible that, for the most part, they cooperate with one another. Jacek Kuron is one of the pillars of Familia. In no way does this prevent him from being a loyal minister of Mazowiecki's government, and, at this time, undoubtedly the best minister (at least in contacts with public opinion). Lech Walesa did not promise that he would blindly uphold every government decision. In no way does this hinder him from supporting this government, especially in its efforts directed towards gaining foreign economic cooperation.

"The Poles are quarreling!" Does every argument immediately have to be detrimental to Poland? If pluralism is supposed to exist in Poland, then can it not exist in Solidarity? Do the various viewpoints, and even interests, not have the right to contend? The first example encountered is the union and governmental viewpoint. Can the union be kept on a government leash? Can the government be kept on a union leash? And should the OKP deputies be puppets for the ministers and union activists? The development of the three centers did not emanate from the contentiousness of Poles, but from the natural process of crystallization of the political map of Poland. It is a normal situation for a powerful political system to have several centers of authority. Republicans have two such centers in the United States: one in the White House and the other in the Congress. The French Socialists have three: one in the president, another in the premier and a third in the party. After Pilsudski's death, his followers had two: one in the Belvedere and another in the Palace. The Poles do not argue too much, but too

little. Just watch how political parties will start to proliferate here. There will come a time when they will replace Solidarity. Will Solidarity's having gained a victory for democracy be a cause for tears?

That is how I justify my viewpoint, but I still have the feeling that My Disheartened Reader is shaking his head very skeptically. Let me guess what he feels: I think he would like to see a pure Solidarity, free from the dirt of politics, a Solidarity not of bureaus and offices, but one of hearts, a Solidarity of a million people who feel and experience in the same way. Does he not have this right? Do not the thousands of people like him who live and breathe politics and who are moreover ready to support each other mutually and to think and feel in solidarity with one another have the right to long for the Solidarity of previous years, for the Solidarity of the May altars, of the packages for interned husbands and of the candles lighted in the windows in the evening? Clearly, they do have this right. But, My Disheartened Reader, please agree as well to recognize the right of Solidarity to act in the political arena in a manner demanded by politics. Poland is not for Solidarity. Solidarity is for Poland. And, above all, Poland now needs a good policy conducted by that very Solidarity.

Now that I have let My Readers in on the most closely guarded secret of the Solidarity political landscape, I shall tell them a story. Not long ago, I attended a meeting at which someone, wishing to explain to those gathered the scenario of a certain conflict, spoke openly of the existence of Familia, Swita and Dwor. The ladies in attendance grew pale—both literally and figuratively. Their ears perked up, they removed their coats and they made reference to the loftiest formulas, with "ethos," "morality" and "worthiness" the foremost among them. However, amid this collective female embarrassment, there was a certain additional presence. These were ladies of the male gender. When a child becomes saddened at the news of divisions in Solidarity, this is a moving manifestation of moral sensitivity. But how does one explain the blanching of adult male or female political persons immediately after this secret is let out—persons who feel like fish in water in the political element?

Evidently, it is advantageous for some political ladies to keep the awful secret. Evidently, violating the awful secret threatens some sort of vital interests of theirs. Let us take this path a few steps further. Who stands to gain from keeping the truth about the political status quo taboo? Very likely someone who has something to hide. What could a politician who is strangely concerned with blurring the political situation in his own movement have to hide? Probably the picture of himself. The revelation of the secret on the subject of political divisions places him inevitably in one of the several currents of this movement. But perhaps he would prefer to be identified with all the currents? Or perhaps he would like people to think that he represents everything, that here everyone is for him and him alone?

Is it not true that this is only human? Everyone would like to be considered a representative of all of Solidarity, of all of Poland—indeed of the entire world. But that is why there are books, newspapers, political analyses and revelations, in order to prevent such chicanery. No one in the United States would believe George Bush if he claimed to represent all Republicans, for in the United States, political divisions are written and spoken of openly and everyone there knows, or at least knows if he wants to know, that George Bush does not represent all Republicans, that he has his competitors there whom he won over in the election but who continue in their own political programs and political aspirations. In Poland, in Solidarity, which hides the truth about itself, such tricks go along swimmingly. The otherwise excellent organ of Familia, GAZETA WYBORCZA, states in a note from the editors in the 26 September issue:

“While we feel that we are linked with Lech Walesa and Solidarity, the OKP, the premier and his ministers, we retain the right of criticism. This is basic to the role of an independent press in a democratic society.”

What an all-encompassing formula! They are linked with this one and that one and the other one, and at the same time with everything equally. It is good that they did not add that they are linked with the Holy Father, the London government and the United Nations. They are linked, but at the same time they are independent. What an oasis of political impartiality in a discordant world! Dear Editors, let us be more open, do not fear your own selves. If you were linked with Lech Walesa as strongly as you are with yourselves, then you would not have had that recent series of biased (i.e., failing to take into consideration the viewpoint of both sides) reports on the subject of TYGODNIK SOLIDARNOSC, and you would not have waited so long to present Walesa's viewpoint until your one-sided version became fixed in the consciousness of readers. You made a show of utterly improbable impartiality, impartiality not in commentary (which by nature assumes partiality) but in

journalistic reporting, which is always free from bias in the serious independent press. And you have the right to exercise partiality (in commenting on events), just as anyone who enters into the political arena and the ideological struggle has such a right. But, at the same time, why do you make yourselves out to be an emanation of the whole of Solidarity? You are an emanation of scarcely one of its parts—an important and valuable part, but still only one part. It is too bad that you could not afford to say this about yourselves.

When the truth about divisions is hidden, two awful maladies that plague public life assume the proportions of an epidemic. The first is the malady of usurpation in which a structure which constitutes only a part and is involved in competition with other structures sets itself up as the whole. The individual currents of Solidarity suffer from this illness. The second is the malady of dissimulation in which a structure with a completely unequivocal orientation (or a person belonging to the structure) obliterates its identity before public opinion. This malady is exemplified by those who today style themselves (with a certain lack of modesty) as “intellectual authorities.” They come across in the guise of consciences of the nation, consciences that exist without reference to the times and that personify worthiness and morality; they exist high above the follies and quarrels of this world. These giants of morality, worthiness and ethics must be viewed from closer up if one is to see that they move about absolutely on the ground (and they do so, unfortunately, more as attendant drudges than as strategic brains) amid the greater and lesser interests of one political group. Let us help cure the maladies of such people.

The division into Familia, Swita and Dwor is not eternal, and can, at any time, pass into history and give way to other configurations and structures. But the demand that Poles should not be treated as idiots or as children and that the truth should not be concealed from them will always be a timely one.

POLAND

Deputy Chief of General Staff on Sejm Delegate Role, Military Cuts

90EP0161A Warsaw ZYCIE WARSZAWY in Polish
12 Oct 89 pp 1-2

[Interview with Deputy Chief of the General Staff of the Polish Armed Forces, Sejm Delegate General Tadeusz Jemiolo, by Zdzislaw Zaryczny: "A Look at the Army"; date and place not given]

[Text] [ZYCIE WARSZAWY] You are the deputy chief of the General Staff of the Polish Armed Forces and a deputy from the area of Koszalin. Have you noticed any change in the attitude of your electorate toward the army?

[Jemiolo] Both yes, and no. Public opinion surveys indicate that the armed forces still enjoy the highest approval rating next only to the [Catholic] Church. In saying this, I proceed from the the CBOS [Center for Public Opinion Research] polls taken every several months in the years 1985 through 1989. In December 1985, about 81 percent of those polled recognized the activities of the armed forces to be in keeping with the interests of society—a year later, 77 percent; 2 years later, 75 percent; in November 1988, 77 percent; and in January 1986, about 66 percent.

[ZYCIE WARSZAWY] However, the trend is definitely downward...

[Jemiolo] Yes, but it needs to be viewed in a broader context of the crisis of old political structures. The political turnaround occurred a mere couple months ago, and we still have not gotten used to all of its consequences.

I count among these consequences a recent wave of critical questions concerning, among other things, the national nature of the armed forces, their budget, as well as whether they should be apolitical or politically pluralistic. The great interest in these issues testifies exactly to the change in attitudes toward the army.

[ZYCIE WARSZAWY] You have mentioned the questions. Could you answer them?

[Jemiolo] The Polish Armed Forces are a national army. There should not be any doubt as to that. It is a fact that for decades the ideological motives for military service were sought in the PZPR program. It is also a fact that an overwhelming majority of the officer corps belongs to this party. This will not change within a month or a year despite our having already undertaken actions aimed at deideologizing the army. I would ask you to keep in mind that this means thousands of specific human, family, housing, and professional problems, and so on. We need great tactfulness and patience in order to carry out this process soundly, without hurting the cohesion of the armed forces.

Situations which would have been inconceivable as little as a couple years ago show how much has changed. At present, the officer corps, which in many areas of the country constitutes a numerous and influential constituency, treats deputies simply as its trustees regardless of whether they belong to the PZPR Deputy Club or the Citizen's Parliamentary Club. It is openly proposed to shift the emphasis in the activities of the PZPR from the barracks to the confines of the garrison and the settlement. Such is our reality today, and we cannot ignore it.

[ZYCIE WARSZAWY] What kind of army are you in favor of, general?

[Jemiolo] National, and serving the people, with modern organization and materiel, comprehensively trained despite the expected reduction in the length of active duty to 18 months, a considerably smaller but instead more professional and efficient army. At present, the so-called rate of professionalism in the Polish Armed Forces amounts to 32 percent whereas in the NATO armies it comes to between 60 and 70 percent; as is known, the American Armed Forces are 100 percent professional.

I would like to say that at the General Staff we already have a program of changes which we would like to introduce in the armed forces. However, the implementation of this program depends on the progress of detente and disarmament in Europe, and especially on the results of the Vienna talks. I hope that they will end successfully.

[ZYCIE WARSZAWY] Can we think realistically about switching to the professional armed forces when the state coffers are empty? After all, a professional army is not cheap...

[Jemiolo] And so it will be expensive if, of course, we want to have a strong army which effectively guards the borders of the state. To this end we must, among other things, reverse the old proportions of using budgetary funds which in 1989, for example, 1989 did not exceed 1 trillion zlotys. I will recall that about 70 percent of the funds are spent to maintain the army, and 30 percent to procure modern materiel and weapons, mainly from the USSR. For comparison, one MiG-29 costs us 7 billion zlotys at present which compared to the world prices for this type of aircraft is not an excessive price. However, this price needs to be paid; we get nothing for free.

[ZYCIE WARSZAWY] In the Sejm of the 10th term, there are several deputies in military uniforms. This is, perhaps, too few for a "lobby" capable of influencing the most significant budget decisions?

[Jemiolo] There are eight of us dispersed in several commissions. Three of us are active in the Commission for National Defense. We do not want to, and we will not create any pressure group there. Likewise, we will not agree to be manipulated by anyone. We will simply try to reconcile the expectations of the voters and the tasks set by the operation of a large modern army.

[ZYCIE WARSZAWY] Which issues of your own community do you intend to bring up in the forum of the Sejm?

[Jemiolo] First of all, those which are of a strategic significance to the future of the army. I mean our military doctrine which is unambiguously defensive in nature and which needs to be extensively propagated. I mean the new format of the system of training and education in the armed forces; among other things, we are planning to transform the corps of political officers and concentrate their efforts on upbringing and educational tasks, as well as to set up in 1991 the Academy of National Defense which will also train civilian specialists.

Overcoming the old stereotype of the "army—jack of all trades" is no less important. To my mind, the soldiers should not be used for construction work or routine endeavors in the economy. Everyone should do his own job well. Let the army be the army. To me, a professional soldier is the model, a soldier who is educated, capable of using modern materiel, who treats his duties seriously, and is equally seriously treated by the society and the government.

[ZYCIE WARSZAWY] Does this also mean a well-paid soldier?

[Jemiolo] I still continue to encounter exaggerated ideas about the pay and imaginary privileges of the officer corps. Previously, I put these rumors down to the lack of openness, but what about now, about the time when, say, the spokesman of the Soviet Ministry of Foreign Affairs finds nothing objectionable about Poland being eventually represented at the meeting of the Consultative Political Committee of the States-Members of the Warsaw Pact by Wojciech Jaruzelski, Tadeusz Mazowiecki, and Lech Walesa together?

We have nothing to hide. This brings about humorous situations at times, for example, when one of the new ministers was very much surprised to find out that the army indeed has no warehouses full of foodstuffs and fuel. Those who think that the officers rake it in will also have to be disappointed. At present, a lieutenant company commander receives about 200,000 zlotys in pay, which is derived from the indicator of 1.3 times the average salary in industry.

This entire sphere of issues entailed by relations between people and their social problems is the subject of our particular concern at present. This is not strange at all. The army is a part of the society and it shares all the concerns and hopes of the latter, though at present it is sharing hopes.

'Army Without Secrets' Series Continues: Mi-2, Mi-24 Helicopters Profiled

90EP0158A Warsaw ZOLNIERZ WOLNOSCI in
Polish 6 Nov 89 p 3

[Article by Jan Moskwa: "The Flying T-34"]

[Text] Major Pilot Stanislaw Mroczek, chief of air gunnery of the 56th Regiment of Combat Helicopters,

observed: "Our Mi-2 is to the helicopters in service with the NATO armies what the T-34 is to modern armored vehicles."

Flying is their passion. For a majority of them, the adventure with aviation began in their younger years. Later, they graduated from the Deblin school in order to become military aviators. All of them are excellent professionals in their field. Some are unequaled aces. However, like all experts they want to improve their skills. They just want to be the best at everything.

In the early 1970's, the regiment was issued the Mi-2 helicopters instead of the SM-1 and the SM-2. However, in its class such materiel was barely decent at that time.

Captain Pilot Marian Dabrowski stated: "The basic drawback of this vehicle is that, as a matter of fact, it is not suited for the missions it is to be used for. After all, for starters we should sort out and determine which military materiel and weapons the helicopter will carry and only later embark on designing it. In the case of the Mi-2, the sequence was reversed. First, the aircraft was produced, and only later did they begin to suspend from it a continuously expanding array of armament. As a result, this could not but affect the combat performance of the vehicle. It would not have been half as bad if they only had added to the equipment; however, roles were also 'tacked on.'"

The Mi-2 helicopter was designed in the 1950's. Its prototype flew for the first time in September 1961. Its serial production began in 1965 at the PZL [State Aircraft Enterprises] in Swidnik. At present, it is produced in 24 versions. Among these are the passenger, passenger-freighter, freighter with slung cargo, trainer with dual controls, maritime rescue, medical, medical-rescue, photogrammetric, television, agricultural, and military versions.

The Mi-2 is used in air force and civilian aviation in Poland, the USSR, Czechoslovakia, Yugoslavia, Libya, the GDR, Romania, and Hungary.

It is a helicopter with a duralumin semimonocoque structure. The rotor has three blades. The blades are made of metal. It is equipped for visual flight. The landing gear is a nonretractable, tricycle-type. The regular fuel reserve is sufficient for a range of 440 kilometers. Two external tanks with a volume of 238 liters each increase the range to 797 kilometers.

In the armed forces, the Mi-2 is used for, among other things, assault missions, combating tanks, landing troops, and reconnoitering enemy positions.

Senior Warrant Officer Pilot Jaroslaw Filipowicz said: "To my mind, this helicopter is not suited for any of these missions. This is a nonarmored and, therefore, on the whole defenseless aircraft which can be downed by

small arms fire. One needs to fly over enemy positions in order to reconnoiter them. However, who is going to 'allow' this?"

Therefore, this helicopter is most suited for carrying the wounded and equipment, as well as for the messenger service.

Major Pilot Slawomir Wronski said: "It is exactly for these purposes that it is used by the Russians. They were very much surprised when I discussed with them what it is converted for in our country."

This helicopter has one more drawback which disqualifies it as an air combat asset. It is not suited for aerobatics. There are several reasons for this.

"The Mi-2 has metal blades which are not rigidly attached. It flies at low speeds, and its power-to-weight ratio is unfavorable. On occasion, passengers have to get off the helicopter so that it can take off at all. It has only visual flight equipment, which is also very important" pointed out Captain Pilot Marian Dabrowski.

Major Wronski joked: "Our 'little aircraft' may be likened figuratively to the hare from the well-known tale about 'The Wolf and the Hare.' All it can do is flee."

However, this tale also suggests another truth: that the hare will always outsmart the wolf, because what else is he to do if he is to survive... Therefore, the expert mastering of pilot skills by the pilots of the regiment gives them hope and a chance in clashes with the probable adversary.

The latter flies considerably better, more modern, and more perfect vehicles—helicopters which cannot be compared to our Mi-2. With a certain degree of approximation, the helicopters of this type may be compared to the West German MBB Bo-105-CB which is a multipurpose helicopter with a crew of one carrying four passengers.

The Bo-105 has a duralumin semimonococque structure, a 4-blade rotor, and laminated blades. It has equipment for visual and instrumental flight. It has skid-type landing gear. The Bo-105 prototype flew for the first time on 16 February 1967. The serial version has been in production since 1971. The hull of the Bo-105CBS version is extended by 0.25 meters, and it can carry six persons. Versions with higher output engines, surveillance, assault, antitank, and night surveillance versions are also produced.

The Bo-105 is used by the U.S. Air Force and civilian aviation, and is in service with the air forces of the FRG, the Philippines, Spain, the Netherlands, Indonesia, Malaysia, and Nigeria.

Major Mroczek observed: "The Bo-105 and the Mi-2 have engines with the same output but very different characteristics, ours being inferior. The Germans have managed to make the most of the potential of two turboshaft Allison 2500-20 engines."

Lieutenant Colonel Pilot Aleksander Paszynski, coach of the Polish team which took third place at the helicopter championship of the world (held in August 1981 in Piotrkow Trybunalski) said: "Much of the imperfection is due to the lower technical standard of manufacturing the vehicles in our country. For example, in our helicopters no care was taken to ensure the comfort of the pilot which was possible by at least eliminating the unbearable microvibration and noise."

Captain Dabrowski joked: "The vibration is such that fillings fall out of the teeth."

One more thing is added to the litany of complaints concerning the Mi-2 by the pilots of the 56th Combat Helicopter Regiment—it has been in service with the armed forces for too long; therefore, it has become technically obsolete and has fallen behind the aircraft of the Western states and the Soviet Union.

In all fairness, we should also mention that the pilots of this regiment also fly helicopters of a new generation, so-called aviation supermateriel, or the Mi-24. Major Wronski notes: "This is a completely successful vehicle. With materiel like that, one really wants to fly. The helicopter has duralumin semimonococque structure. It has a 5-blade rotor made of titanium and laminate. It is equipped for blind flight. It also has radar and television sights."

The helicopter was designed on the basis of the Mi-8 experience. The first flight of the prototype took place in 1972. The performance of the aircraft is shown by the fact that in 1975 five records were set on its improved version, including that for the rate of climb—20 meters per second. In 1978, the speed record of 368 kilometers per hour was set.

The Mi-24 is used by the air forces of the USSR, Afghanistan, Algeria, Bulgaria, Czechoslovakia, Ethiopia, Iraq, South Yemen, Cuba, Lybia, the GDR, Poland, and Hungary. All of them are happy with this helicopter which has been splendidly designed for the roles set for it.

In the opinion of pilots from the regiment in question, switching from the Mi-2 to the Mi-24 is like changing from a little "Syrena" to a Mercedes. However, they would already like to sit at the controls of a newer helicopter. To be sure, they are aware that at present the country cannot afford it. Nonetheless, when such a contract is signed as one day it will have to be they hope that the mistakes will be avoided which...

Major Wronski noted: "Aircraft in which pilots can be trained should be purchased together with military aircraft. These should be aircraft specially equipped for this purpose. Unfortunately, they did not think about it when the Mi-24's were purchased. Likewise, no attempt was made to analyze diligently the rate of wear of assemblies and parts of helicopters. This is why there are spare parts at the warehouses which will certainly never be used; in turn, the parts which get worn out more frequently are

Comparison of Technical Data		
	Mi-2	MBB Bo-105-CB
Engine rating	298 kW (400 HP)	298 kW(400 HP)
Rotor diameter	14.50 m	9.84 m
Length of fuselage	11.50 m	8.56 m
Height	3.75 m	3.10 m
Operating empty mass	2,400 kg	1,224 kg
Payload mass	1,150 kg	1,176 kg
Maximum gross mass	3,550 kg	2,400 kg
Maximum speed	200 km/hour	242km/hour
Cruising speed	190 km/hour	204 km/hour
Rate of climb	4.5 m/second	7.5 m/second
Service ceiling	4,000 m	5,180 m
Range	170 km	575 km
Fuel reserve	600 liters	570 liters

lacking. This state of affairs causes assemblies from the aircraft parked in hangars to be installed in the helicopters which are flying."

Therefore, is this the question of the proverbial seal? Perhaps, we may hope that in the future this issue will not be the customary topic of conversations among the technicians and flying personnel. Another thing that may change is that the pilots will no longer fly the aircraft which are older than they are.

CZECHOSLOVAKIA

Frantisek Cuba Pessimistic About Solution to Economic Problems

24000001 Prague ZEMEDEL'SKE NOVINY in Czech
2 Dec 89 p 1

[Interview with F. Cuba, chairman of JZD AK Slusovice, by Daniela Prazanova: "Simple Homework"; date and place not given]

[Text] [Cuba] Everybody wants our economy to meet the world standards. But, in order to grant that wish, we would have to create a national income of Kcs 1,500 billion. It is now Kcs 600 billion and it is expected to grow at 2 to 2.5 per year. It's your homework to calculate when we would reach the standard of a developed country.

[ZEMEDEL'SKE NOVINY] Isn't there a method to accelerate the solution?

[Cuba] There are different opinions concerning the subject. Some are saying to join with the FRG [Federal Republic of Germany], others urge us to go with the US, others see the solution in borrowing money. Still others are looking for a solution in production automation, as is done in capitalist countries. All are correct to some extent. Of course, first of all, we would need money. And I have never met anyone who would hand out something for nothing.

[ZEMEDEL'SKE NOVINY] That does not sound too optimistic. Isn't there another solution?

[Cuba] I think that we have no alternative but to follow the examples of South Korea, Thailand, or another such country. I saw it with my own eyes. That is where I came to understand the concept of highly intensive application of work. Let us put it this way. Our work week consists of 42.5 hours, actually we work about 25 hours. Over there [in other countries] they have a work week of 48 hours and everybody works 50-60 hours. The work intensity is three times greater than in our country. We made a film about it in Thailand and showed it to our cooperative members.

[ZEMEDEL'SKE NOVINY] So then you see the solution in the increased work intensity?

[Cuba] People are not ready for such exertion and I am only curious who will win them over for such an idea. But if we want to achieve a solid economic standard, it is necessary that we work about six times as much as we do now.

[ZEMEDEL'SKE NOVINY] We attempted to solve the homework assigned to us by Mr Cuba. We came to the results—125 years.

GERMAN DEMOCRATIC REPUBLIC

New SED Economic Practices, Management Explicated

90EG0068A East Berlin EINHEIT in German Vol 44
No 11, Nov 89 (signed to press 19 Oct 89) pp 1032-1038

[Article by Prof Dr Lothar Bayer and Prof Dr Volker Hille, both of the SED Central Committee's Central Institute for Socialist Economic Management: "New Step Toward Shaping Our Socialist Planned Economy"]

[Text] Prepared over the long term and carefully tested, the step-by-step transition toward comprehensive self-financing, being made by the combines and their enterprises in preparation for the 12th SED [Socialist Unity Party of Germany] Party Congress, represents a step which is of fundamental significance with respect to the further shaping of our socialist planned economy. It is intended to serve the continuation of the unity between economic policy and social policy by strengthening the interest in the combines and the enterprises through precise economic calculations and committed work, in decidedly improving the relationship between costs and results. This is a matter for everyone; after all, decisions regarding the lowering of costs and improving the relationship between expenditures and results are basically made at every individual work site.

The essence of this new step consists of making a lasting and direct connection between the national requirement for a strong growth of the produced national income and the final product with the interests of the combines and enterprises, as well as of people who work there in achieving high profits and in making clever and responsible use of such profits. A palpable performance and efficiency impulse must lead to promoting dynamic growth in production to benefit the populace, the economy, and export activities with increasing efficiency. For the combine and enterprise collectives, this means earning the financial means necessary for their intensively expanded production on the basis of the plan with responsibility, creating the funds required by the expanded production in standard dependence upon profit and also utilizing these funds responsibly, keeping in mind state requirements.

With the transition made by the combines toward self-financing, a process of great political-economic impact is introduced which places new demands upon management activity, as well as upon political-ideological work in the combines and enterprises. All experience indicates that much depends on clarifying the extent of this process for the workers and on joint prosecution of the necessary changes with the workers from the very beginning. The extent to which this will succeed is decisively dependent upon a deep understanding of comprehensive self-financing. What is important in this respect is that this process encompasses everyone. Although it naturally requires exact recordkeeping and bookkeeping in terms of costs and profits, it is not primarily a bookkeeping function, a function of enterprise organization, or of new

paper forms. Self-financing is to be regarded neither as an industrywide problem for economic specialists, nor does it act like a self-regulating mechanism.

The core of the matter, moreover, as shown by experiences, lies in the fact that the demands for workers to handle the people's property which is entrusted to them with responsibility and efficiency tend to grow. This is, fundamentally, a matter for every designer and technologist, every bookkeeper, every foreman, innovator, and worker, as well as being a matter for the enterprise director and the general director of the combine. It is precisely the attitude and ideological position taken by the general director and the enterprise director which exert a great influence upon the pace of self-financing. And this is not some kind of one-time action; self-financing is a constant process, during the course of which palpable economic progress is vital in every quarter in order to reproduce the conditions for the continuation of self-financing. Appropriate economic thinking and action do not occur automatically. The totality of management and work organization must prevail.

Yardstick—Profit for Socialism

Clarity should, therefore, be established everywhere to indicate that the transition toward self-financing makes performance and effort more compelling and more worthwhile for the combine, performance and efforts which are aimed at offering more consumer goods to the populace, more highly productive technologies and products to the economy, and more world-market-capable export products through increased efficiency, productivity, and quality of work, particularly as a result of the best possible economic utilization of key technologies. The funding of all funding categories involved in the intensively expanded reproduction process is directly dependent upon the manner in which the appropriate plan targets are achieved on the basis of individual performance. Irrespective of whether we are dealing with opportunities for further scientific-technical development, for investments, or for general repairs—the funds required for these categories are to be earned through performance. Naturally, this also indicates that those combines and enterprises which “manage” in the best meaning of the word, that is to say, where expenditures are lowered and profits increased—enterprises that, thus, turn in a better performance than others to benefit socialist society, to benefit the people—must be in a position to be able to afford to acquire more things for themselves. If they earn excess profits, this means that more funds are available to the state budget as well as to themselves—for science and technology, for investment, for improvement of working and living conditions of the workers. If, on the other hand, reduced profits occur, because the planned performance and efficiency targets were not met, this tends to restrict available funds. This is fully and completely in accord with the principle that what benefits the people's economy must also benefit the combines and enterprises—and vice versa.

In order to state it once more completely clearly: What counts is real profit for socialism; it results from more demand-justified production at high quality, reduced expenditures, and efficient foreign trade activities. Without a doubt, profits achieved on the basis of enterprise-egotistical conduct do not count in this regard. In our socialist planned economy, there can also be no automatism of the kind which would make most of the funds for investment and general repairs available to an enterprise within the combine which, perhaps, earned the highest profit because it had previously been equipped with new machines and installations as a result of efforts made by the entire combine.

The transition toward self-financing is directly connected with democratic centralism as the carrying principle of our planned economy. Consequently, self-financing is being shaped in close connection with the plan, in close relationships with the further qualification of central state planning and balancing. Central state planning and balancing acts as a fundamental condition for seeing to it that the combines and enterprises manage in accordance with the principle of self-financing, particularly since the economic results essentially depend upon functioning coproduction and integration relationships. Earned financial means can only result in the intended stimulating effect if they can be used to procure products and technologies that are in demand—in terms of quantity, assortment, quality, as well as delivery deadlines.

This increases the role of the national economic balances. These balances are subject to higher demands, just as higher demands are levied upon strict balancing discipline in terms of their coordination and solidity, in terms of the expansion of their time horizons. In this regard, the responsibility of the combines for balancing with respect to specific assortments is increased. Integration with contractual work becomes closer. Particular weight accrues to the continuous fulfillment of state plan targets lest many types of disruptions and losses of efficiency occur in the national economy.

Component of Binding National Economic Planning

The plan is the yardstick for the national economic responsibility, even under conditions of self-financing. Thus, the multiyear standards which the combines are given for the earning of profits and for the utilization of the realized profits are components of the state plan. And the utilization of self-earned funds takes place in consideration of state requirements and on the basis of the binding state national economic plan. It is obvious that the issuance of such multiyear stable standards, which are based on a carefully worked out national economic structure concept as well as upon demanding, realistic, balanced plans, place higher demands on the State Planning Commission, the ministries, on centralized state management and planning in general. Also, requirements levied on industrial pricing grow in order

to promote demand-justified production more effectively and to exert palpable pressure upon the lowering of costs.

Our high-performance combines have all the necessary material and personal prerequisites at their disposal to make the transition to self-financing which are created for them by the strong economic foundation which corresponds to their national economic responsibilities. Self-financing finds its firm basis in the economically and juridically independent combine enterprises. Working in accordance with economic cost accounting, the enterprises form the basis of the struggle to lower costs, to increase productivity, efficiency, and quality. Purchasing and sales, contracts with subcontractors and customers, as well as relationships with the bank are their affair. The more solidly the enterprises operate, the better the results achieved through the application of the principle of self-financing in the combine.

What Strengthens the Economic Foundation of Growing Individual Responsibility?

The decisive source of self-financing is represented by scientific-technical and economic peak performances, in accordance with international yardsticks, embodied in products which are offered and sold at the proper time and in demand-justified numbers. This also forms the basis for the economy of tomorrow. If high economic results, high profits are achieved in this manner, appropriately higher quantities of funds are available for application to the economy and to technology. What is important, in this regard, is that these opportunities not be restricted as a result of excessive costs incurred as a result of shortcomings in the management of scientific-technical work. At the "Fritz Heckert" Machine Tool Combine in Karl-Marx-Stadt, for example, strict performance-oriented management and planning was introduced with respect to the research and developmental process for these reasons. In view of the fact that funds are earned on the basis of profits, they found stronger application in terms of structure-determining and pace-determining topics with which a higher efficiency of innovation is being accomplished. The very task-setting is oriented at the maximum economic effects to be derived from scientific-technical results. The time factor is being considered increasingly. In defending performance stages, the strictest yardsticks are applied to expenditures and results. Also, cooperation in research is increasingly aimed at lowering costs which have hitherto not seldomly exceeded allocations for in-house research performance, and at earning decidedly higher profits through the realization of research results by the combine.

In this manner, the economic responsibility of managers and collectives engaged in research and development is being expanded. The concerns of the joy of innovation and zeal are supported, as are the efforts to direct the overall process of renewing production uniformly toward the highest economic effectivity levels of scientific-economic work and, at the same time, to secure the

best economic utilization of its results—through investments as well as through production and marketing. The working out of demanding economic goals is the essential prerequisite for earning back the growing quantities of advanced funds. To prosecute these goals requires the constant reexamination and reassessment of scientific-technical tasking. It is worthwhile to thoroughly check the economic viability of every task, every line item, every mark expended on science and technology and, in this manner, engage in a stronger constructive argumentation with research and developmental collectives, but also with the various partners in collaborative research. This is the way in which, for example, the VEB [state enterprise] Carl Zeiss Jena Combine operates. There, in performing the economic evaluation of scientific-technical performance, the unity between utility value and value, expenditure and results, costs and profits are placed at the center point of tasking.

The standard formation of capital funds, based on net profits and amortization, now also shapes the opportunities for modernization, reconstruction, and rationalization, in other words, it makes the essential prerequisites for further performance improvement dependent upon in-house efforts in working out the plan and upon the results of plan fulfillment. If the state target for profits is exceeded in working out the plan—by lowering production consumption and costs—and/or if in implementing the plan, plan targets are exceeded, then supplemental investments are possible in the same year—particularly if the material prerequisites can be created for the situation through in-house production of supplemental rationalization funds or allocations from central balances. If, on the other hand, the state target for profits is not achieved or the planned level of profits is not fulfilled, this leads to a restriction of the planned self-financing funds available for investments. It cannot be otherwise; after all, the facilitation of the unity between material and financial processes in the national economic scheme and the strengthening of the planned nature of the economy also require payments to the state budget to finance all-societal tasks in a planned manner.

In other words: the planning of investments is possible, but absent the earning of the necessary financial means, there is no entitlement. The fewer expenditures that are required by an investment project, the more funds can be used for other projects. Consequently, the thorough preparation of every investment and its target date realization at the planned level of efficiency and performance growth demand the greatest commitment on the part of all participating collectives. The efficiency of the investments is already decisively dependent on the setting of scientific-technical and economic goals in research and development since, after all, investments can only lead to growing efficiency if they are indeed used to realize peak products at peak periods. Every mark invested must be worthwhile and must be able to return many times its worth. This is also true of the reproduction of capital funds aimed at increasing performance. Here, also, in-house opportunities are now

becoming greater because general repairs involved in self-financing can now be financed through amortizations.

Self-financing also includes the results achieved in foreign markets. If the planned foreign trade targets are exceeded, then the combines and enterprise collectives reap an advantage, particularly as a result of being able to utilize foreign exchange in a responsible manner. Naturally, the assurance of the efficiency of export-import activities is an important condition for this.

Higher value accrues to continuous plan fulfillment through high daily work performance, as well as the planned nature of managing, in general, in terms of self-financing. Planned, continuous work in the entire cycle in production preparation, in production, and in marketing, as well as in national economic involvement, proves to be the first elemental condition for perceiving national economic responsibility on the part of the combines. Utilization of working time as performance time, the absolute necessity to adhere to enterprise economic basic regulations, the facilitation of order, security, and technological discipline, the forward-looking organization of smooth production are unrenounceable in the effort to make efficient use of available potential and funds, in adhering to the planned cost levels, and in realizing planned profit levels.

Failure to adhere to the plan and discontinuity not only increase costs and diminish profits. They restrict the perception of individual responsibility and the self-financing of means if they result in waste, feverish activity, and overtime which are not suited to stimulate workers to engage in thorough contemplation and accurate economic accounting where expenditures and results are concerned.

High Requirements for Thorough Enterprise Management Work

All of the above indicate that the application of the principle of self-financing calls for qualified continuously conceptual work. And it also provides more favorable prerequisites for this work. They include the use of multiyear targets. Since they represent a calculable foundation for longer-term decisions at the combine and enterprise level, the interest and opportunity grow of being able to achieve orientation, in a forward-looking manner, toward the requirements in the development of modern productive forces and toward the demand dynamics of the marketplace. In the combines which show the strongest performance, therefore, the consistent fulfillment of annual plan targets is ever more strongly being connected with an orientation toward an economically proven strategic concept of scientific-technical work over a longer time frame.

By placing a stronger economic emphasis on refining concepts, on increased work involving reproduction calculations and exact financing models, adequately accurate responses can be found for such questions as: Which economic effects are to be provided by research and

development at what time? Can the combine or the enterprise afford a given investment or not?

In not a few combines and enterprises, therefore, research and developmental concepts, investment concepts, and financing variations are being subjected to new thinking and recalculation. One thing must become clear: How are the anticipated performance and efficiency targets to be mastered with available manpower? What material-technical and financial means are required? What are the sources for these means within the given time frame?

This approach is oriented toward making it possible to exceed net profit targets in advance, at the time of plan preparation. Why is this of special significance?

If the working collectives are oriented toward the higher plan targets ahead of time and cooperate in working out the higher goals, if they participate in the breaking down of plan figures and in the determinations of the necessary measures and means to achieve these levels, then this has proven to be a good foundation for a high degree of involvement in plan implementation. Added to this is the fact that excess net profits—in excess of the state targets—can already be shown in the plan proposals and in the balances, something which creates favorable conditions for the smooth materializing of the plan proposal.

It is part of the logic of self-financing that the fact that funds can simply not be demanded of the state, but that each collective carries the responsibility as to what funds are available and how they can be used for the greatest possible good, should be made more palpable down to every working collective. Thus, cost-benefit thinking, the conscious development of reserves, acquires still higher significance and strengthens the necessity for qualified intraenterprise economic cost accounting in accordance with given conditions. The lowering of costs is an unbribable yardstick to measure the extent to which working collectives understand and engage in self-financing.

At the same time, it has been proven that a prerequisite for progress in lowering costs is that managers, all workers, are clearly and topically informed regarding costs and the possibility of their reduction: Toward this end, such enterprise economic methods and instruments as monthly management information bulletins and cost handbooks, as well as workshops for foremen on ways to influence costs, or topical computer-supported breakdowns of results of intraenterprise performance comparisons, which particularly support discussions of the plan, are appropriate.

In order to continue that which is positive without delay and also in order to be able to react rapidly, with corrections, to negative plan deviations, it has proven useful to inform the working collectives in the production process briefly about the performances turned in in terms of quantity and value, in terms of the quality achieved, in terms of the consumption of important

materials or types of energy, in terms of labor productivity, the utilization of machine and working time. This presupposes the provision of topical cost calculation procedures, the existence of cost standards—where possible, specified in terms of machine hours—and the documented recording of deviation from the technological process by individual causes.

Much depends on making the cost calculations short-term in nature, making them as detailed as possible by types of costs, cost-incurring department, and unit costs, shown in real time and in terms of performance as well as in a manner capable of providing testimony with respect to performance comparisons and regular cost analyses. Naturally, this can only be accomplished today by utilizing modern computer equipment.

One can justifiably state: individual responsibility and self-financing result in a stronger orientation on the part of management and planning, as they pertain to the overall reproduction process, toward the actually realized profit. The reduction of costs and increase in profits cannot be separated from each other in this regard.

This profit-oriented operation on the part of combines and enterprises requires consistent marketing work and a market strategy which is based strictly on the fact that development and production are done in the interest of the customer. An appropriately clear product strategy, oriented to the marketplace and toward the highest scientific-technical levels, forms a decisive point of departure for economic management, for automation, and rationalization solutions.

The manufacture of products which can be sold advantageously in all markets calls for consistent standardization of products and technologies, as well as for flexible fabrication. Shorter delivery times, adherence to promised delivery deadlines, greater flexibility and short reaction times, as well as a complete product assortment, coupled with appropriate performance—all of these factors increasingly influence profits and efficiency.

Such efficiency criteria as short machining times, cost-optimizing fabrication, low inventories based on fabrication of products which do not require much warehousing, flexibility, and reactionability, therefore, take their rightfully equal place next to increased performance and productivity in computer-supported enterprise management.

Strengthening Ownership Awareness

According to one fundamental precept of self-financing, namely that only that which has been earned can be utilized or, in other words, that more can be consumed if more was earned through more rational operations, the requirement that workers engage more intensively in developing and utilizing their own reserves arises. In this regard, the level and effectivity of democratic cooperation are essentially dependent upon a well-functioning socialist enterprise management. The quality of this management influences the conduct of plan discussions just as much as

the organizing of socialist competition, the comparison of performances, and work involving the budget. The more workers are included in decisions of an operating nature and the more they identify with the established tasks, the greater becomes their dissatisfaction with shortcomings in management work which disrupt the rhythm of work, the results of work, and the enterprise climate. Both state managers and party and trade union leaders are all the more challenged to draw conclusions from these factors.

Whether the workers are familiar with the new requirements resulting from self-financing and act accordingly is, to a high degree, influenced by comradeship cooperation between state managers and the trade unions—as has been demonstrated by experience up to this point. In this respect, a substantial role is played by the enterprise collective contract which, after all, provides expression for identifying the goals to be striven for in socialist competition and outlines that which is possible to achieve on the basis of growing performance at the enterprise in the social area. Also, precise public accountability, the trustworthy consultation involving all questions in trade union collectives lastingly promotes involvement.

In accordance with the socialist performance principle, self-financing requires that available opportunities for material and moral stimulation be used more consistently in pursuit of earning higher net profits and to increase the distributable final product. Wages and bonuses must be used to bring about the palpable recognition of the contribution made by managers and all workers. This presupposes both thorough WAO [Scientific Worker's Organization] work, and also consistent performance-oriented remuneration, the use of performance-oriented salary bonuses as well as year-end bonuses. It has also proven useful for combines to decide for themselves whether they will establish a combinewide bonus fund, so that, depending on the overall results achieved by the combine, additional allocations might also be possible to the bonus funds of individual enterprises and funds might be concentrated on key projects.

Along with the consistent prosecution of the performance principle, socialist competition, innovator activity, and performance comparisons should be oriented more strongly toward assuring profits throughout the entire reproduction process. Many proven ways of accomplishing these ends offer themselves. Enterprise competition programs could be given priority orientation toward efficiency, productivity, and quality indices, initiatives for zero-error production should be utilized. Performance comparison within worker collectives and between such collectives and, particularly, day-end and public evaluations of work performed will play a big role in the future as well. In working collectives which are particularly well provided with capital equipment, the battle for higher levels of more productive machining time for the installation will be central.

In all of this, the yardstick for the economic strengthening of national economic responsibility on the part of the combines is the adoption and implementation of the demanding goals for the development of performance

and efficiency, beginning with the plan for 1990. This is the task assigned to the combines and enterprises in preparation for the 12th SED Party Congress and with regard to the realization of its resolutions.

Private Capital To Give Impetus to Needed Economic Reform

90EG0078A Duesseldorf *HANDELSBLATT* in German
14 Nov 89 p 5

[Article by Hans Mundorf]

[Text] With the wall open, politicians, most of them Social Democrats, are calling either for scrapping the second stage of the 1990 tax reform in order to pay for a comprehensive economic recovery program for the GDR, or for an inner-German equalization program financed by the West German taxpayer. Such federal programs would be superfluous if the GDR would welcome private capital, but as long as the GDR refuses to do so, economic recovery is impossible.

The Federal Republic of Germany clearly has to come up with the means to make good on her public and legal obligations towards the claims of GDR refugees for unemployment benefits, welfare, retirement benefits, and pensions.

However, as a state, the Federal Republic should not assume the role of direct or indirect investor in a planned economy. That role is best played by private industry, because it has plenty of investment capital to offer, assuming the government of the GDR offers certain conditions—something it has refused to do up to now.

West Germany's private investment potential is simply enormous and is presently used mainly to buy foreign businesses and to invest in foreign assets. According to the Deutsche Bundesbank, West German industry has accumulated DM88.3 billion in liquid assets in 1988 in addition to a net worth (after write-offs) of about DM68 billion in fixed assets. In 1988, the industry's cash assets stood at DM1,207 billion and yielded DM17.5 billion in interest.

An opening of the GDR's planned economy to private capital would offer tremendous profit prospects for the West German economy, and if the GDR made plans to bring her living and industrial standards up to par with the Federal Republic's, then West German industry and trade would be strongly motivated to invest in the GDR or to enter into partnerships.

As a state, the Federal Republic should not act as an investor because the GDR refuses to provide for her citizens the conditions that would attract private investment, such as the right to hold private property in business and industry, to engage in joint ventures, to provide for investment guarantee treaties, provisions for stable currency conditions, a guaranteed currency transfer, and a price system that works.

The question now of course is whether the opening of the wall, the newly found and hard-to-retrieve freedom of

the people will demand a necessary systemic change in the GDR's economy and the demise of some major structural aspects of the GDR's planned economy.

West Germany's experience in 1948 with the introduction of a market-oriented economy and currency reform predicts the following developments for inner-German relations—provided GDR citizens will not lose their newly gained liberties:

The West German mark will become the secret currency of the GDR similar to what happened after 1945 when the U.S. dollar and cigarettes ruled the market. When a reporter asked a woman from the GDR who was visiting West Berlin last Saturday, how she planned to pay for her purchases, she said: "I am from Leipzig and I have money because of the trade fair." By "money" she meant West German marks just as hundreds of thousands of her fellow citizens who stand in line for hours in front of savings institutions to receive their "welcoming money."

This exchange market will set a certain currency rate between the East and West German mark, although this rate is sure to be highly variable and fluctuate between 8, 10, or 12 GDR marks for 1 West German mark. Currency exchange of this kind is illegal in the GDR, but not much can be done about it as long as a million GDR citizens are crossing the border back and forth either on specified weekends or every weekend.

Now that the citizens of the GDR are free to cross over to the West, they will want to tap into all available West German mark sources. It is only natural that a craftsman from East Berlin would rather work in the West for Deutsche marks than in the East for GDR marks, and this rationale applies to all professions connected with a transferable service—from doctors to cleaning women, to entire cleaning outfits, and to Trabi taxicab drivers. The labor market will see substantial border crossing with many GDR citizens earning their money in the West and spending it in the East after exchanging it in one of many money exchange places in the East.

A few hours of work in West Berlin can pay for a comfortable life in the GDR. (An exchange of the DM100 in welcoming money yields M1000 and is equal to two average monthly incomes). Such a development will weaken the infrastructure of the GDR and will raise the level of competition in the border regions significantly.

In general, many things in the GDR will get "sold out" for West German marks. Up to now, families have carefully protected and kept from the state such valuables as antiques, jewelry, and so on. Soon, maybe even real estate will get traded for West German marks. All this means that the amount of West German marks competing with East German marks in the GDR will be ever increasing.

This DM-purchase power in the form of GDR currency meets with a state controlled price system which has centrally set prices for everybody's basic living requirements—in other words, basic goods and services are

especially cheap. The explosive force of such a competition is enormous—and the Federal Republic is aware of it because of its own postwar experience. Whoever has a chance to work across the border for West German marks or has access to them via private transfer gets rich overnight, whereas the streetcar conductor in Dresden remains poor. There is not a society, socialist or otherwise, that can bear such a strain for long.

In order to prevent renewed border closings, the two systems have to adjust to each other. Prices and wages will have to become fixed based on supply and demand and not on a government controlled preferential system. Pricing has to become "honest," even though it could mean frightening figures and temporary inflation.

The rate of exchange between East and West German marks is further offset because of a huge demand to buy goods. For decades, the GDR Government has stressed the priority of building up heavy industry, thus this sector has created income without producing anything that the consumer wanted to buy. In addition, the state has financed its budget deficits with the creation of currency. Income created in this way was of no other use but to save it, now; however, it is hitting the market and exacerbates the unfair imbalance in the currency relationship between the GDR and the FRG.

It looks as if the GDR has to face much of the same currency devaluation as West Germany in 1948. True, the Eastern Zone underwent a currency reform as well, but since then the economy has produced a new, as of yet still invisible inflationary potential. The GDR has two options, either to tolerate an inflation bound to show up on a black market that will dominate the economy, or to reduce its surplus buying power through a currency reform.

A currency reform; however, would make it plain to the citizens of the GDR that their work performed in the name of socialism has brought them nothing, and it would also create a difficult political situation whose complications cannot be compared to those of the West German currency reform in 1948 because the West German currency reform was pushed through by the occupying powers and was not seen as a measure ordered by the German Government.

A currency reform of this type would largely mean a devaluation of financial assets; it would also mean an upward reevaluation of present income. GDR citizens know by now that in a free market economy the buying power of their savings is only 10 percent of their nominal value. Also, currency reform in the GDR would not have to deal with the fairness problem the Federal Republic had to face when despite equalization legislation, owners of tangible and productive property came out ahead. Since the GDR knows no private property, a currency reform would affect everybody equally.

Even after a reformed price and currency system takes effect, it will be years before the GDR economy can realistically compete—before its export trade is liberalized and its currency becomes officially convertible.

After the economic and financial reform of 1948, West Germany's export trade in 1950 was only 37 percent liberalized, and it took until 1961 before it reached 90 percent. The West German mark did not become convertible until 1959. The West German economy took more than 10 years after reforms, before it could compete once again in the world market.

Even if strict economic planning were abolished swiftly and completely, the economy of the GDR could not become competitive overnight and export enough goods to satisfy the demand of its citizens for foreign currency. GDR citizens may also have to wait a decade before they can catch up. Until then, the Federal Republic and the GDR need to come up with administrative transition measures that can give the GDR enough breathing space to adapt.

It will be up to the Federal Republic to design such measures rather than to simply issue credits. We must avoid replacing the concrete wall with bureaucratic fortifications of equal inhumanity. The GDR's control of foreign currency will remain in effect, so will the requirement to turn over all foreign currency above a certain amount, and the penal code of the GDR will get expanded by a series of offenses having to do with "economic criminal offenses."

Even if export monopolization is dropped and enterprises are given autonomy in the export trade, controls on export and import will remain in effect. Such policies; however, will only be tolerable and acceptable if they clearly serve as a transition phase.

Citizens of the GDR will have to accept the fact that such a transition is necessary to improve the productivity of an economy that is planning on competing in the international market. Rationalization means downsizing the labor force. An up to now socialist GDR will have to get acquainted with open unemployment. Unemployed GDR citizens will push onto the West German labor market, not least because of its excellent unemployment benefits which apply to workers from the GDR. This presumably means that foreigners now working in the FRG will be hit hardest by this supplantation process.

If one could count on such developments taking place within the the GDR, then West German private capital could help the GDR catch up with the FRG in a few years, but the GDR would have to give up its socialist planned economy. Its social structure might be able to retain some socialist vestiges, but the concept of a "new socialism," an improved planned economy that could rival the efficiency of a market-oriented economy—something Gorbachev seems to fancy—would simply not work, because without liberal private capital investment, the economy of the GDR could not accomplish its enormous capital projects.

It is equally unlikely that Western capital will flow into countries with a reformed socialism, because by its very system, it still would lack banks and credit mechanisms that ensure the productivity of an economic system. The distribution of government credits under a Hermes

cover, coupled with tax incentives for West German investors, cannot solve this problem either.

If the GDR refuses to let go of its planned economy it will have difficulties in channeling its revolutionary fervor. GDR citizens are unlikely to be satisfied with DM100 in welcoming money once a year. They are now busily sizing up the Western standard of living, soon they will want to live by it, and that is only possible by changing the system.

The GDR can stay socialistic in its social structure, but in its economy it must become free; in short, it will have to become a social market economy.

Water-Quality Figures for Schwerin Area Published

90EG0073B Schwerin SCHWERINER
VOLKSZEITUNG in German 8 Nov 89 p 3

[Unattributed report: "Announcement From the State Water Board"]

[Text] Schwerin—The Schwerin River Supervision Agency examines more than 200 sample collecting stations on

running waters and more than 50 on lakes. The frequency of sample collections is in accordance with directions in TGL 22 764 (Classification of Running Waters). Most stations are tested at 14-day intervals. Weekly sample collections take place at the locations in Elbe-Boizenburg, Wahrenberg, and Warnow-Schwaan because of their importance. Selected criteria are continuously monitored by an automated status measuring station at the sample collecting locations of Elbe-Boizenburg and Cumlosen, as well as at Warnow-Schwaan. The criteria "oxygen" and "chemical oxygen consumption" are, among other things, a measure for water pollution with biologically degradable matter, and are therefore mandatory for evaluating water quality.

The majority of the Bezirk population is supplied with drinking water from the public water supply system in a stable manner as to quantity, pressure, and quality. The continuation of the drinking water connection expansion program will in the years to come need to focus on areas using individual wells whose upper ground water levels are contaminated with nitrates and therefore exceed the permissible level of 40 mg/liter.

	Date (1989)	Temperature	Oxygen	Chemical Oxygen Consumption
Elbe-Wahrenberg	2 Nov	11.0	3.9	21.0
Elbe-Boizenburg	31 Oct	13.0	6.4	15.8
Elde-Grabow	30 Oct	10.5	4.5	7.7
Elde-Doemitz	17 Oct	10.0	8.5	7.9
Sude-Bandekow	1 Nov	11.0	9.7	6.7
Warnow-Schwaan	30 Oct	10.9	6.8	7.7
Nebel-Guestrow	24 Oct	13.0	8.2	6.4
Mildenitz-Sternberger Burg	24 Oct	12.0	8.3	6.6
Aubach-Medewege	25 Oct	11.0	13.3	6.5
Neumuehler See	12 Dec	17.5	8.7	4.8
Medeweger See	12 Dec	16.8	6.2	8.2
Pinnower See	23 Oct	12.0	10.1	5.0

Quality Designations per TGL 22 764

Quality category	1	2	3	4	5
Oxygen	Less than 7.0	Less than 6.0	Less than 4.0	Less than 2.0	Less than 2.0
Chemical O ₂ consumption	Greater than 5.0	Greater than 10.0	Greater than 30.0	Greater than 50.0	Greater than 50.0

All figures are in mg per liter

HUNGARY

Beck Sees Market Economy as Solution for Growing Chaos

90EC0127A Budapest MAGYAR HIRLAP in Hungarian 4 Nov 89 p 5

[Interview with Commerce Minister Tamas Beck, by Ivan Gador: "We No Longer Have a Planned Economy; We Do Not Yet Have a Market Economy"; place of interview not given]

[Text] Tamas Beck has served as Minister of Commerce for more than a year. He was cautioned by friends at the time he accepted the job that he would be reaching into a hornet's nest from which he could not emerge unscathed. At this time, in November 1989, we sat down to discuss far more than bee stings. Our purpose is not even to establish some kind of balance, because the workings of the commerce minister cannot be evaluated in the abstract of governmental economic management as a whole, and independent of the country's desperate economic situation and conditions. Therefore we decided just to converse.

[MAGYAR HIRLAP] Many of those active in business claim that the practice of export and import licensing lacks any conceptual basis. Nevertheless, what concept underlies this lack of a conceptual foundation?

[Beck] It is the establishment of a market economy and the dismantling of foreign trade monopolies. We do not want a situation in which e.g. coffee is imported by one organization only, or in which wine may be exported by a single enterprise that holds exclusive rights. This does not mean, of course, that we have problems with Monimpex, because we also want to break down Merkur's monopoly on the importation of cars. Every actor in the economy must come closer to the market. This sounds very good, but for the time being most of these actors lack the preparedness and ability to perform the large volume of added work needed to make this slogan a reality.

[MAGYAR HIRLAP] My many years of experience in economic reporting provides examples which prove without an exception that anarchy raised its head as soon as competition appeared in foreign trade. This is odd, don't you think? Someone or something is missing from this dance....

[Beck] What should I say? I have been repeating a single sentence in my days at the Economic Chamber and ever since: We no longer have a planned economy, but we do not yet have a market economy. The transitional situation is accompanied by transitional disorder. A few years ago some 150 firms had the authority to conduct foreign trade in Hungary; today more than 2,000 firms exercise that authority. Administrative review of, and control over individual transactions by the state in such diverse activities would be impossible, even if we had a computerized

record system which registers not only the export licenses and import permits, but also the inventories, the demand, and the opportunities.

How Could It Be Stopped?

[MAGYAR HIRLAP] I understand this, but yet, what could bring an end to the anarchy, in your view?

[Beck] In international practice we find that other countries have substantially more diverse commercial activities than ours. They flow through a larger number of channels, nevertheless there is no anarchy. On the other hand, there we find trade associations and chambers which enforce the joint interests of a trade with unfailing consistency. This is the only way, believe me! Unless such associations come about in Hungary within the shortest possible period of time, and unless these associations are able to establish order, Hungarian sellers will have to face charges of dumping, of the supplemental skimming of the European Economic Community week after week, and will have to be involved in international law suits which cause huge financial damage.

[MAGYAR HIRLAP] Well, as far as this is concerned, we are already finding a few scandals, not on a weekly, but on a monthly basis. And these could suffice for the orthodox group to launch a frontal attack against the market economy. Political capital may be forged out of mistakes and disorganization....

[Beck] In this regard I feel that there are two paths for Hungary to follow. We either develop a market economy consistent with Western European practice, or we return to an economy based on central plan direction. There is no third way! It would be impossible to develop some peculiar, specifically Hungarian market economy. Political circles which place this idea on their banner are gravely mistaken. A system—any system—can be functional only if its processes are capable of precisely interacting with the processes found in the systems to which it relates.

[MAGYAR HIRLAP] In other words, if I understand you correctly, you believe that there is only one passable way, and that is a market economy of the Western European type. The model based on central plan direction is also in the process of disintegrating in Eastern Europe. In other words, even if we returned to the model based on central plan direction we would not be able to interact with anyone.

[Beck] This is true, not to mention the fact that in this country everyone has had enough of the system based on central plan direction. Therefore, in reality the only passable way available to us is to establish a Western European type market economy. This is true, if for no other reason, because for a long period of time we have heard nothing else from our Western partners than statements to the effect that we will not be able to substantially expand our economic relations as long as trade is conducted by the state in Hungary. For this reason the entire economic diplomacy of the Hungarian government is focused on the Common Market to remove at last this "state trade" label

from Hungary. It seems that we will succeed shortly in this. Nevertheless, in order to achieve this result we need more than diplomatic maneuvers. First of all we must take specific steps to liberalize trade.

Are Prices Really Free?

[MAGYAR HIRLAP] I really don't want to be argumentative, but sometimes one gets the impression that we are so vehement about proving that we are not, and that we will not be a country in which the state trades, that in the end the exportation of meat and wheat fall victim to our efforts to prove this. Even though these commodities are monopolies in every developed country in the world, their exports are strictly controlled by the state. Tell me, dear Minister, why do we have to overdo everything?

[Beck] We should not and we must not at all overdo anything. It was the craziest thing for us to allow the evolution of a situation in which we are exporting twice as much sugar as we should because of good prices, and that we permitted the meat situation and the wheat situation to evolve. I will now make a ceremonious announcement: We will take a step backwards in the sugar, meat, and wheat trade. These items will once again become part of the export list, in other words, the state will once again control the export of these commodities. But at the same time I must state in the firmest possible terms that such a backward step may be taken only in regard to the most limited number of commodities, because our Western European partners will not accept us if further restrictions, rather than alleviations, are made.

[MAGYAR HIRLAP] I understand this perfectly well, but amid this great liberalism there must be some means in addition to self-restraint that keep exports and imports within limits....

[Beck] Subsidies and customs policies have proven to be good methods for this purpose. They are the real weapons with which industry and the market can be protected. They are good only if they work, of course. Because no one should be surprised about the fact that as long as one can purchase in Finland many small green apples grown in Finland they will not permit, even by accident, the nice, big, red Hungarian or Spanish apples to enter that country. They will let the red apples come in only after they run out of green apples. On the other hand, in Hungary we first permitted the importation of tropical fruits beginning in November, at the same same time, however, the market has been flooded with bananas, kiwi fruits, pineapples, and grapefruit ever since September. Who in Hungary is interested in what the Ministry of Commerce does or does not permit? Various firms strike their barter deals and import whatever they get, or whatever comes to mind! Well, this cannot go on. But I can give you some more serious examples. Hungarian railroad car manufacturing was not destroyed by the wrath of gods, but by the fact that as faithful members of CEMA we imported Soviet locomotives and subway trains which devour energy, as well as Czechoslovakian streetcars on a duty free basis. Ganz was unable to develop, and it could not sell anything. And now

here we are with the mass of bankruptcy! There is no other country like this one! One Hundred and fifty years ago Szechenyi initiated a movement to protect Hungarian industry and Hungarian goods. In those days they listened to him....

[MAGYAR HIRLAP] I understand what you're saying, and in part I agree, but does this not contradict the fact that in order to develop Hungarian industry there is an urgent need for the importation of an unprecedented volume of developed technology? Not to mention the fact that economic policy expectations look to import competition so that the low efficiency Hungarian industry which produces low quality goods will finally awaken from its Sleeping Beauty dream?

[Beck] That is also true. But we must make a wise and moderate transition, because if we open the flood gates and allow imported goods to flood Hungary without customs duties and without restraints we will find the entire Hungarian industry experiencing the fate of the Ganz vehicle factory. This would result in an intolerable level of unemployment, a deterioration of the standard of living, and the total disintegration of our domestic solvency.

[MAGYAR HIRLAP] Even though exactly the opposite would be the goal, that is to improve the population's ability to pay, because if this does not take place the increasingly more expensive Hungarian food will not be sold amid increasing living costs. As long as we have mentioned this, is the rapid escalation of food prices predicted nowadays unavoidable in your view?

[Beck] I don't know; I have some very big question marks in this regard. The Ministry of Agriculture believes that they can resolve the problems that preoccupy agriculture by introducing free pricing. Undoubtedly, this view is consistent with the idea of a true market economy. But I feel that it is absurd to disregard the peculiar Hungarian conditions of income. One must not disregard the interests of large families, of pensioners, and of the medium and low income strata.

Why No Stampede?

[MAGYAR HIRLAP] This sounds very nice, nevertheless I will venture to say that, for example, on the meat front a pressure of this magnitude would not have been exerted by producers upon consumer prices had it not been for the fact that this spring the Ministry of Commerce issued export licenses for an uncounted number of pigs, which in turn catalyzed a buying spree at the wholesale level and higher prices.

[Beck] This is a terrible matter because we, the government, created a situation in which enterprises must maximize their profits. But yes, we did have to give them the opportunity to do so! World market prices were good, there was a lack of interest in the breeding of pigs, and the exportation of pigs at favorable prices established the source of increasing wholesale prices. But even today I do not believe that it was a mistake to enable larger exports. I was told by agricultural experts that each

pig must produce a minimum of between 500 and 600 forints in profits to make it worthwhile to fatten pigs.

[MAGYAR HIRLAP] Except for the fact that by now even those producers with average preparedness may pocket profits amounting to more than 1,000 forints. And everyone is counting on the fact that next year's prices may increase even further. And the consumer will not be able to pay those prices. On top, neither the producer nor the meat industry would be concerned about this fact because even the higher wholesale prices can be justified on the basis of today's export prices.

[Beck] Well, no one wanted or wants a situation in which the Hungarian consumer is not provided for, or in which a shortage of meat develops....

[MAGYAR HIRLAP] This is why they revoked the export licenses. Don't you think, Mr Minister, that this kind of coarse, administrative intervention begets ill blood?

[Beck] I think so, in fact I am convinced that it does. But the pressure upon us was so great that we could not resist. I should take the risk and say here, however, that the claim that there was a shortage of meat in Hungary was based on a conscious intent to create panic. But by now I have a representative assessment in my hand which attests to the fact that there is no shortage of meat, or that the shortage is no greater than it was at any time during the previous years. And the chronic shortage is not caused by increased exports, but by the weakness of our domestic sales network.

[MAGYAR HIRLAP] A matter that could not be changed through the means of the state for quite some time. At this time privatization, this new magic tool, this new magic word, was placed on the cover page. Among other matters, privatization is supposed to resolve the development of a network of shops. But somehow there is no stampede of entrepreneurs to do this.

[Beck] This is because conditions are really not that good, because the populace has only a small amount of available capital and has no confidence. The need calls for loans that would encourage going independent, large tax benefits, and a host of measures to increase confidence and the ability to invest. Money, in other words. There is little money in either the state or the cooperative sectors; after all most Hungarian enterprises struggle not only with solvency concerns, they are unable to produce even the developmental resources needed to maintain present levels. This is why we are using every means to lure foreign operating capital to Hungary.

Is There a Way Out?

[MAGYAR HIRLAP] But it is not true that there is no capital in Hungary. The only thing is that it cannot be mobilized.

[Beck] It cannot be mobilized, of course, because it is tied up in huge, bloated inventories. There is no other

country in this world where industry is able to ensure secure operations by having only 120-to-150-day inventories on hand.

[MAGYAR HIRLAP] And there is no other country in the world in which enterprises almost exclusively work on the basis of costly credits rather than using their own capital, where firms with tremendous volumes of merchandise and liquid capital must struggle with concerns about pennies month after month, and must become insolvent, and all of this because by now the shortage of operating capital in the Hungarian economy has reached catastrophic proportions. This situation leads to a series of irrational decisions, and profitable businesses fail as a result. I will also venture to say that this is one of the reasons for the virtual total lack of contractual discipline—in this area we are hastily and desperately fighting brush fires—and agreements and words do not command even as much respect as they did a few years ago, even though in those days they did not command any respect either. Tell me, Mr Minister, is there a way out of all of this?

[Beck] There is a way out. I do not want to be repetitious, but the way out is the full evolution of a market economy, with all its financial, legal, and commercial technological implements, with organized, disciplined, and reliable work, with a preparedness to cooperate, with a willingness to innovate, and with everything else that characterizes a modern market economy. The government's tasks in this regard may be summarized in a single sentence: It must pursue a consistent policy friendly to enterprise, one that extends to every detail of the system of implements. This is the alpha and omega insofar as everyone is concerned.

Privatization: Legislative Proposal on Commerce Advanced

Justice Ministry Official Interviewed

25000535 Budapest FIGYELO in Hungarian
18 Nov 89 p 9

[Interview with Tamas Schagrin, executive in the Ministry of Justice, by Robert Becsky: "Legislative Proposal on Privatization: Will There Be a Turnaround in Commerce?"; date and place not given]

[Text] It appears that privatization will suffer the same fate as other actions taken by the government. While everyone agrees on the goal, of reducing the preponderance of state ownership, the method by which to implement privatization is the subject of virtually constant debate. At this time—also in response to critique—a legislative proposal concerning privatization has been drafted. We questioned one of the authors, Tamas Schagrin, chief division director of the Justice Ministry, concerning a few characteristics of the proposal to be submitted to the Council of Ministers.

[FIGYELO] As reported in FIGYELO No 42, 1989, the legislative proposal describes the technique of privatization as will be applied in regard to commerce. Could this serve as a pattern for other sectors of the economy?

[Schagrin] Although the substance is the same—a reduction in the state share, the broadening of enterprise based on a person's ownership, privatization—there are several possible alternatives depending on the features of a given economic sector. One method is based on the improvement of the system of conditions for individual enterprises, the other is the transfer of state property to private hands or into community property. It is obvious that a different technique of privatization applies to large and small enterprises, and with regard to units of enterprises. The proposal describes the method we feel could be applied in commerce, in consumer service provisions, and in the catering industry. Accordingly, here we are dealing with small businesses; we are not dealing with stocks and with interest in an enterprise, but with shops, stores, and taverns to be transferred to companies formed by private entrepreneurs.

[FIGYELO] I would imagine that use of the "must sell" terminology is no accident. The legislative proposal mandates that stores with up to a certain number of employees must be sold either to the trust fund to be established, or to the commercial privatization center acting as trustee, or to enterprises, all within a limited period of time. This is not a method based truly on market principles.

[Schagrin] The question is who should do the privatization. According to one of the perceptions, if an enterprise sells its stores, 20 percent of the proceeds belongs to the enterprise, the rest to the state. Understandably, however, enterprises thus far have not endeavored to sell their stores, because after they sell their shops there remains an enterprise headquarters with no one to support it. Instead of using this method they have established limited liability corporations and limited partnerships, not infrequently to salvage the enterprise's position. An enterprise was able to collect income and sustain itself in a manner similar to the earlier contractual system, if it transferred some means, certain premises as a matter of so-called adjunct services to a limited liability corporation or a limited partnership. Accordingly, not too many real privatization actions took place. The idea that enterprises would decide whether or not to sell their shops is no longer a passable avenue. Spontaneous processes can evolve only in a market environment, and in order to have that, one needs participants in the marketplace. If it does not go otherwise, conditions for the functioning of the marketplace must be established, through state interference if in no other way.

[FIGYELO] And has this path been left open?

[Schagrin] The legislative proposal indeed prescribes that shops—below a certain number of employees—must be transferred to the state trust, which in turn will

either sell those stores, or rent them if a sale cannot be consummated. But there will continue to remain an opportunity for the enterprise to sell its stores. True, there is a time limitation; it must be accomplished within a year or two at most. I will note here that appraisal of the property must take place with the involvement of the privatization center and under societal control. A sale must take place on the basis of a public invitation to bid, at the price contained in the most favorable offer. All this guarantees openness in the eyes of society.

[FIGYELO] In the course of debating the proposal at the Hungarian Economic Chamber, several enterprise leaders expressed doubt that the trustee center could appraise the value of property better than the enterprise itself.

[Schagrin] This is hard to decide. In the final analysis, only a well functioning market is capable of expressing an approximate, objective market judgment. But we must proceed before a market like this evolves. Incidentally, the privatization organization would have a professional staff, and under no circumstances could they be accused, as the enterprise managers were, that they were getting rid of state property at unrealistic prices, guided by selfish interests.

[FIGYELO] Objections are also heard with regard to the upper limit of the number of employees—between 5 and 15 persons, according to the proposal. They say that the days of general stores are bygone, and today's commerce is characterized by large units.

[Schagrin] There would be no limitation as to the number of employees with regard to stores operated under contract or leased stores. In certain instances even the upper limit of employees would not mean that, for example, a restaurant employing more than 15 persons could not be sold. But of course the value of such stores usually exceeds the investment potential of an individual. In such cases a corporate form appears to be the logical answer. Incidentally, the mandatory privatization provided for in the proposal does not extend to chain stores or to cooperative commerce. This, however, does not rule out the sale of such stores or the utilization of one of the forms of business organization. And not only the level of capitalization presents itself as an issue here. The privatization of commerce represents an important step, but without decentralizing the industrial background—usually accompanied by a reduction in the share of state ownership—this can produce only partial results.

The same applies to the Capital Equipment Marketing Enterprises [TEK] and to wholesale enterprises. Privatization may be successful only if it comprehensively covers the entire economy. All this cannot be accomplished overnight, however. The proposal also recommends privatization techniques for larger industrial and commercial units. Along with this there is no obstacle in the way of transforming enterprises presently under state

administrative control. Autonomous enterprises may be transformed into corporations, or privatized based on a decision made by the state.

[FIGYELO] Data concerning the profitability of commercial activities are rather contradictory. Industry representatives complain that profits are too large, while merchants claim that profits are too low. Not to mention consumers who measure the benefits of privatization in terms of prices. And many people are concerned that prices will rise in the wake of privatization. Is there such a threat?

[Schagrin] Prices do not depend on proprietary relations. They evolve in response to supply and demand. If we influence the evolution of prices by administrative means, shortages, bribes, i.e. phenomena well known in socialist commerce will appear. In and of itself privatization acts as a price reducing factor: Shops need not sustain enterprise headquarters. By this we save the labor of thousands of people and several hundred million forints annually. For this reason, in my view, privatized commerce could be cheaper than it is now. But the conditions of supply and demand must also change so that the customer can feel this reduction. Such change is fundamentally an industrial and not a commercial issue. But the privatization of commerce invigorates evolving competition as well as industry. Private boutiques have also established their production background.

[FIGYELO] But this question was also raised in the issue of whether there will be buyers and sufficient capital to purchase the stores offered for sale.

[Schagrin] In the final analysis we are not talking about large amounts of capital; the proposal grants priority to the heads of contractual operations—these are the most obvious future owners. It is conceivable that they would pay the price in installments; they could obtain credit financing for this purpose, etc. But the intent to buy does not depend only on the price and on the profit that can be realized. It also depends on the freedom of entrepreneurship. I could put it this way: so that it should also be possible to change product structure in commerce. An owner has a just expectation to change the profile of his business based on the standpoint of the return he receives on his capital.

[FIGYELO] Are there still some restrictions concerning profiles today?

[Schagrin] With regard to contractual businesses, this indeed means that a person who has acquired a clothing business cannot make a fundamental change in the profile of his business on his own, without the concurrence of his enterprise. We should follow the Western example. If a carpet store in the West wants to sell television sets, he may liquidate his carpet business and open a store with a different line, without any particular administrative burden.

[FIGYELO] During Chamber debate, enterprise managers were greatly outraged to hear that the proposal

includes a retroactive provision according to which a certain portion of the value of stores sold earlier must be paid in to the trust center. In general, at what pace do you think privatization will be accomplished?

[Schagrin] Insofar as the first part of the question is concerned, we must stop the possibility of salvaging assets by transferring those into an enterprise headquarters which may lose its function. With regard to what was said in the Chamber, incorporation of the retroactive effect did not occur as a result of budgetary greed. We want to prevent the unregulated, uncontrolled sale of state property, sales that do not benefit the public.

Pacing can take place in many different ways. All shops should not, and must not be sold in one step. This would result in highly depressed prices. It would be similarly unacceptable to prolong this process. Specialists do not argue with the idea that privatization could begin without problems let's say in the catering business. Graduality may be ensured by the fact that enterprises must sell their shops within a year or two.

[FIGYELO] Returning to the intention to buy, this also depends on how much confidence people have in the permanence, the irreversibility of these processes. The sparse influx of foreign operating capital suggests that there is a lack of confidence at least on the part of foreigners. Wouldn't this also apply to Hungarians?

[Schagrin] There is no longer any doubt that the nationalization of commerce was a grave mistake. Who, what political force would place on his or its banner today that taverns, tobacco shops, restaurants, stores, or repair shops should be returned to enterprise headquarters. Frankly, I am not concerned about a threat of this kind.

Entrepreneurs Association Leader Comments

25000535 Budapest FIGYELO in Hungarian
18 Nov 89 p 9

[Interview with Tibor Molnar, National Association of Entrepreneurs' presidium member, by Robert Becsky: "It Takes Two To Strike a Bargain"; date and place not given]

[Text] The declared intention of an owner—in this case the state—to sell the property he owns will not suffice. A buyer is also needed. Many contractual operators would have purchased the restaurant or shop they leased, but in those days there was no opportunity to do so. How much inclination exists today to buy these stores? Tibor Molnar, National Association of Entrepreneurs [VOSZ] presidium member and head of the VOSZ chapter for contractual operators, expressed his views in this regard.

[FIGYELO] For years you have been the contractual operator of the Lake Restaurant on the Roman Shore. Would you buy that business?

[Molnar] I would without any further consideration if I could see a guarantee that no one would question my private ownership right a few years hence, if my business

could be inherited by my descendant, if I could use my operating profits on development or on consumption the way I saw it fit, and if I could count on the return of my investment. As of today, however, there is no reassurance with regard to any one of these conditions.

[FIGYELO] But another nationalization is hardly conceivable.

[Molnar] It is commonly known that entrepreneurs do not trust the government. And they have reason for it. This is shown by the fact that many contractual operations went bankrupt not as a result of the operator's fault and not because they incorrectly judged the market opportunity. They went bankrupt because, for example, the catering business is slow as a result of general sales taxes, taxes, and higher prices. Whenever the government interferes the entrepreneur carries the full burden. We were deprived of a significant part of our customers because tourists visiting here from the East are unable to obtain enough forints, prices are on the increase, etc. In Sweden and in the Federal Republic of Germany a merchant can write off of his taxes a demonstrated loss incurred as a result of governmental intervention. Where do we have this kind of thing? We must pay the same taxes, an average fee as if there had been no intervention. What guarantees do I have that as an owner I would not be confronted with the same situation?

[FIGYELO] Volume and profits should be the obvious starting point for establishing prices at which stores are sold. In cases involving contractual businesses the rental fee should be the obvious base. But the leasing fee is low, according to many. What is your view?

[Molnar] It depends on the business. For myself, I pay 2.5 million forints along with a 5.4-million-forint volume. It is yet another matter that in the catering business the decisive part of property is not the machinery and the equipment, but the building and the land. Yet a part of these businesses is not owned by the enterprises, but by the councils and by the Real Estate Management Enterprise [IKV]. Accordingly, the enterprise could convey only management rights, but who would want to have that? And the land law does not permit the sale of property under mixed ownership to private persons. Accordingly, the state would first have to nationalize its stores, designating an owner who appraises the value of that property, then sell it. It is a separate issue of what consideration should be given to a lessee's investments in the selling price in conjunction with stores that have been operated under contract for years. Obviously, these investments should be deducted from the selling price. The value of the building in which Lake Restaurant is located amounts to 13 million forints; I paid for it over a 5-year period. Where is that squandering of state property they are talking about?

[FIGYELO] Out of what money could you buy the business?

[Molnar] I would need a long-term loan, with an interest rate no higher than 20 percent. In contrast, small entrepreneurs today can obtain only short-term loans with high interest rates.

[FIGYELO] Do you believe that it would be inconceivable to supplement your capital by acquiring either a Hungarian or a foreigner as a partner?

[Molnar] I had several offers of partnership with capital contribution. But I feel that the family character of the business would be gone by having such a partner. If I were to buy the business, that is. At that point the partner also gets involved in the management of the business. I would prefer to take a bank loan.

[FIGYELO] Would the enterprise headquarters retain any function?

[Molnar] They would, in my view. Procurement is one of the major problems of contractual operations. Enterprise headquarters could fulfill storage and procurement functions; they could bridge the problem that stems from the fact that producers do not like to sell goods in small volume. In addition, they could also operate repair and maintenance units, and entrepreneurs could take advantage of these services in lieu of an appropriate fee.

[FIGYELO] An intermediary is not absolutely necessary for this purpose. In the West, any producer will sell small volumes, they will store and deliver goods according to their customers' needs.

[Molnar] This is true, but we have enterprises that would not even talk to small entrepreneurs because these enterprises cannot sell goods for cash. On the other hand, they will not sell on the basis of a rubber stamp either because there is no bank behind a small entrepreneur. And unfortunately, the conduct you mentioned has not yet taken hold in Hungary. Not to mention the fact that, particularly in a shortage economy, the volume in which a customer buys goods is not at all indifferent. The bargaining position of an enterprise headquarters which conveys the orders of several firms is quite different from that of the stores taken individually.

Suzuki Near Agreement on Auto Plant

90EC0132C Munich SUEDEUTSCHE ZEITUNG in German 13 Nov 89 p 24

[Article by "wey," Budapest: "Hot Competition for Hungarian Automobile Market. Japanese Consider Building Plant. French Already Supplying Cars"]

[Text] Hungary has tried for a number of years to start manufacturing or at least assembling automobiles on its own. The relevant negotiating protocols, analyses and studies would probably fill a whole library. But as it is, there are still long lines of people waiting for Ladas, Skodas or, better still, Western automobiles. The latter, of course, would have to be paid for in hard currency. During the course of this past week, however, indigenous automobile production seems to have entered the realm of possibility.

The Japanese firm Suzuki has been engaged in negotiations toward this end for several years. Osamu Suzuki, the head of the company, arrived in Budapest on 7

November to conduct the final negotiations. At a press conference on 8 November, Suzuki said he came to Budapest in order to gain a personal impression of the country in which the project may be realized.

During the week it was announced in Budapest that the discussions centered on an assembly plant which was to produce 1-liter and 1.3-liter models of the Suzuki Swift. During the first year of operation, i.e., in 1992, the plant should turn out 50,000 vehicles. By the third year, Hungarian shipments of parts and accessories should make up 70 percent of the total value. The 9.5 billion forint (or about DM 300 million) investment is to be realized in the form of a stock company which may include not only Japanese and Hungarian but also West European partners.

Meanwhile, Hungarian hopes have dimmed somewhat, however, because the above-mentioned press conference did not produce the expected announcement of the signing of the agreement but merely a statement by Osamu Suzuki to the effect that he and the Suzuki board of directors would soon reach a decision. In words of one syllable this means that the Hungarians are ready and willing but that the Japanese still have some reservations. There is no doubt, however, that the Suzuki decision will be a final one. And thus the chapter of Hungary's theoretical automobile production will be closed.

According to a report by the VWD economic news service, Hungary's Technika FTO signed an agreement in Budapest with PSA Peugeot-Citroen-Talbot of Paris on 8 November calling for the delivery of at least 500 Citroen AXS and BXS models annually over the course of 3 years. These Citroen passenger cars will be sold both for hard currency and forint in Hungary. The first shipment is expected to arrive before Christmas.

Special Tax Considerations for Agriculture Urged

25000538 Budapest FIGYELO in Hungarian
16 Nov 89 p 11

[Article by Csendes-Harza-Mentenyi: "Agricultural Tax Advice"]

[Text] At its November session, the National Assembly will consider modernizing the recently introduced tax reform system. For this reason it is appropriate to discuss a few aspects of modernization in light of international experience. The experience gained in developed countries clearly proves that budgetary relationships that take into consideration the peculiar features of the agricultural economy, as well as special price, tax, and subsidy systems, are indispensable elements of the dynamic development of agriculture.

In further developing the tax system applicable to Hungarian agriculture one may learn a lot from foreign experiences, even if we know well that the economic power and the budgetary position of developed countries, and the place of agriculture within their national economies is far different from ours.

Greater Benefits

Within the personal income tax structure of developed capitalist countries, the state provides benefits to persons having an independent occupation and with regard to several aspects of the income earned by employed persons. But these benefits are by far smaller than those applicable to income derived from the pursuit of agriculture and forest management. Tax exemption or tax benefits apply mostly to income that is not current. In addition, there is an opportunity to transfer profits to the following year, to take advantage of accelerated write-offs and other benefits.

A decisive majority of agricultural plants are individual or family enterprises. Therefore personal income taxes are enterprise taxes at the same time. From a practical standpoint only gross income can be "captured." This is because wages cannot be separated in a reliable manner within income.

Three basic approaches may be distinguished with regard to the taxation of added value:

- The reduced taxation of the sale of foods and chief inputs to food products;
- The same tax rate for food products as for the rest of the products;
- The application of a zero tax rate to the sale of foods.

To simplify the administration of sales taxes by agricultural producers, some average tax rates are applied in addition to the regular tax rates, giving a choice to producers. In the Federal Republic of Germany, for example, farmers may choose from among three tax forms (preferred normal, zero balance, and small plant taxation).

Land taxes and estate taxes are closely related; land taxes are part of estate taxes. In a majority of developed capitalist countries estate taxes in proportion to all other taxes do not weigh very heavily; they amount to a few percentage points at most. Estate taxes are based on either land value, or the combined value of land and other real estate. On the other hand, several other taxes are based on land taxes (estate taxes to a significant extent, as well as inheritance taxes, and in part, the income tax).

In addition to the central budget, local autonomous organs (counties and cities) also levy taxes, the great bulk of which appears in the form of personal income, sales, consumption, and estate taxes, but generally speaking land taxes are also levied at the local level. The ratio of local taxes to all tax revenues falls within a broad range of between a few percentage points and 50 percent.

Forgotten Aspects

Land transactions (buying and selling, leasing) in general are not taxed, nevertheless there are examples to the contrary. There are places where land transactions are

tied to strict conditions. For example, land may be purchased only by people trained in the field of agriculture; whoever buys land for himself must cultivate that land; etc. Countries establishing such conditions usually levy moderate taxes on land transactions. In other places (e.g. in the United States,) land transactions take place more freely, but the seller must pay high taxes, of which he receives significant deductions if he buys land once again within a limited period of time.

In addition to tax benefits, developed capitalist countries recognize the peculiar features of the agricultural economy by granting preferred credit terms and interest rates, and various subsidies (price, storage, sales, etc.).

The agricultural programs advanced by political parties in Hungary contain many colorful concepts regarding the future evolution of proprietary relations in agriculture, as well as for the further development of agriculture and the development of a market economy. Unfortunately, however, it seems that in developing these programs the relationships between agriculture and the budget, and within that the taxation system as it applies to agriculture, were not taken into consideration. The fact is that agricultural programs cannot be implemented without taking these matters into consideration.

In a somewhat simplified form, the following may be stated: In Hungary the taxation of agriculture increasingly became part of the general system of taxation, separating, and separately handling net income and wages in a rigid fashion, thus advancing and forcing agricultural producers to become hired laborers.

This concept has been virtually perfected by tax reform, eradicating the gross income category. At present, when we are trying to revive and rehabilitate proprietary reform, a market economy, the farmer's consciousness, and peasant values, the above-described process works in the opposite direction, and hinders change at every step.

Anticipated Changes

The present system of taxation has consolidated the hired worker condition in large plants, and even along with preferred profit rates, it has increased the tax burden on plants (a matter that is not in step with the disadvantageous income position of agriculture). At the same time, the present tax system places an unbearable accounting and record keeping burden on enterprises and entrepreneurs. By demanding that income be artificially delineated at a time when in most forms of entrepreneurship the entrepreneur himself is unable to delineate his wages from profits, tax rules constitute an external interference with the internal incentive system in large plants.

With all of this, the tax system constitutes an immeasurable hindrance to internal individual, family, and other collective ventures, disabling economic renewal, while at the same time rendering the reduction of agricultural expenditures, and the liquidation of waste and lack of incentive impossible.

Tax-related constraints restrict the variety of entrepreneurship and incentive forms as well as their proliferation, and present obstacles mainly in the path of the most simple solutions.

Only with regard to small production is the present system of taxation simple and easily reviewable. It enables a solution that points to the future. Unfortunately, this appropriate solution is attacked most often, and is most frequently named a candidate for abolition. There is also the fact that in the midst of attacks the continuous modernization of the tax system applicable to small production falls by the wayside.

By relying on experiences gained in developed countries, the following is our perception of possible alternatives for a future taxation system as it applies to agriculture.

We may count on the fact that in the upcoming period the number of individual and family enterprises will increase. Most likely, the circumstances of large plant farming will also change, and the forms of internal enterprising will expand and will appear in a greater variety.

Accordingly, instead of the present personal income and profit taxes, there should be a form of taxation which does not hinder the evolution of internal incentive systems and ventures in large plants, and which is also consistent with individual and family entrepreneurial taxation. One must not expect these entrepreneurs to engage in professional accounting practices, nor are the data needed for accounting available. (There is no reliable way in which wages, as they appear as part of the income, may be treated separately.) Income derived jointly from work performed and from entrepreneurship must be taxed on the basis of averages, independent of income brackets.

As perceived by the Ministry of Finance, a dual general sales tax rate system will be introduced. Accordingly, the zero tax rate on basic food products would be discontinued. Transition to a system like this, however, would release a bookkeeping flood of such proportions on several hundreds of thousands of small producers and small entrepreneurs, that the cost of such bookkeeping would render basic food products more expensive. A reduction in subsidies and the simultaneous increase of the general sales tax rate would also exert strong inflationary pressures.

Flood of Bookkeeping

Together with the adjustment of income brackets and tax refunds to the rate of inflation, continued application of the existing tax system to small entrepreneurs would be appropriate. Any fundamental change that places bookkeeping obligations upon small producers would render the system not reviewable. At most a zero balance method, or average taxation that comes close to a zero balance method, or something similar could be considered, nevertheless no method introduced should require

bookkeeping. Needless to say, in order to accomplish this an appropriate and properly maintained data base should be developed.

A small entrepreneur could opt for filing his taxes on the basis of general rules of course, but only if at the same time he accepts the obligation to maintain books and records.

Land taxes could be made heavier. This is supported by the fact that land, as the primary resource, should play a far greater role than it does at present. To accomplish this, however, reliable land valuation would be needed, in addition to establishing price and income conditions. It would be conceivable to apply calculated land values on a temporary basis. But with the spread of market conditions leasing conditions would provide a more reliable basis for the consideration of land prices and land values.

Together with changing the role of land taxes, the system of tax exemptions (tax benefits) should also be reviewed and unified. Municipalities and local communities are most familiar with local conditions, therefore the extent to which they wish to deviate from the general land tax rate should be left to them. Accordingly, land taxes could become local taxes.

Increasing the weight of land taxes could also be linked to the support of disadvantaged regions.

POLAND

New Openings Available for Companies With Foreign Participation

90EP0179A Warsaw RYNKI ZAGRANICZNE in Polish No 130, 31 Oct 89 p 8

[Article by Jerzy Szydłowski: "Preference for Companies With Foreign Participation"]

[Text] In general, the Decree of 23 December 1988 on Economic Activity with the Participation of Foreign Entities (DZIENNIK USTAW, No 41, Item 325) has been the subject of much discussion. However, as indicated by conversation with interested domestic and foreign parties, there is little knowledge about details of the preferences given to joint ventures.

There is no doubt that that decree affords competitive conditions to foreign investors in Poland compared with the other socialist countries. It is a major element of economic cooperation, and it is intended to stimulate the restructuring of the Polish economy and create market competition which should be conducive to improving market supply and expanding exports. The decree is an invitation to cooperation and it meets the postulates previously put forward by foreign businessmen and domestic trade experts.

The scope of the preferences accorded to companies with foreign participation comprises several domains.

Legal Forms of Companies

Foreign entities may establish enterprises entirely belonging to them. Any investor may establish a company in Poland without Polish participation.

Freedom of choice of the legal form of the company is provided: it may be a limited liability company or a joint-stock company. A limited liability company is responsible with all of its assets for its obligations, and its partners are responsible for not more than the amount of their respective share. A major factor is that the partners are not personally responsible for the company's obligations (Article 159, Paragraph 3, Commercial Law Code), being responsible only for their shares in the company's founding capital.

In a joint-stock company the obligations of the stockholders are reduced to those set forth in the statute, and they are not held personally responsible for the company's obligations.

Foreign Exchange Turnover

A company may sell to the Polish foreign exchange bank only 15 percent of its foreign-exchange revenues. This obligation does not apply to revenues from the sales of the means of production owned by the company when these are replaced.

In economically warranted cases the chairman of the Agency for Foreign Investments may fix a lower percentage of foreign exchange sale than that specified above. The remaining foreign exchange revenues may be used by the company to acquire goods and services abroad for its own operations without having to apply for a separate foreign exchange permit (Article 19).

The company may, without a separate foreign exchange permit, distribute its profits in foreign currencies when it achieves a surplus of export revenues over expenditures on imports. The foreign partner has the right to transfer abroad such profits without a separate foreign exchange permit, while the Polish partner has the right to deposit his share of such profits in his own foreign exchange account at a Polish foreign exchange bank.

The foreign partner may freely dispose as he sees fit, without a separate currency permit, of the zlotys he receives as part of his profits, provided that he disposes of them in the Polish People's Republic, but in the event he desires to use them to acquire real estate, he has to apply for a separate currency permit (Article 20).

Partners have the right to utilize the profits due them so as to augment the company's founding capital without a separate foreign exchange permit, provided that this does not alter the share proportions specified in the founding permit. The foreign partner has the right to repatriate, after paying the taxes due, the funds obtained from the sale of shares or stocks in the company, as well as the funds due him in the event of liquidation of the company, without needing a foreign exchange permit. In the event that these funds are in zlotys, their transfer

abroad may take place 10 years after the registration of the company. In particularly justified cases the minister of finance may, upon the request of the concerned foreign partner, provide him with a guarantee of payment of compensation equal to the share he owns in a company; in the event losses are caused by decisions of state agencies in favor of nationalization, expropriation, or other measures causing equivalent losses (Article 22).

A company may purchase domestic goods and services with foreign exchange at authorized institutions. It may also sell its goods and services for hard currencies in this country, entirely or partially, after it obtains a foreign exchange permit. It may also sell its foreign exchange at auctions organized [by Polish banks] pursuant to separate regulations (Article 23).

Taxes and Fees

Companies pay the following taxes: turnover, income, agricultural, real estate, and local taxes. In addition, they pay Treasury fees and fees for the gmina [township] or municipal fund. Furthermore, they are eligible for exemptions and discounts on the same principles as legal entities outside the socialized sector. A company's income tax is 40 percent of the taxation base, minus outlays on investments whose kinds are defined by the ordinance of the Council of Ministers, as well as minus donations for social and charitable purposes, including donations to social organizations and foundations in the Polish People's Republic. The amount of the donation may not exceed 10 percent of income (Article 27).

The income tax rate is reduced by 0.4 percent per 1 percent of export sales of goods and services in relation to the company's overall volume of these sales minus the turnover tax, with the proviso that the income tax paid minus this discount may not be lower than 10 percent.

Pursuant to the ordinance of 3 February 1989 of the Council of Ministers on the Kinds of Investment Outlays Subject to Deduction from the Taxation Base (DZ.U., No 3, Item 17), the turnover tax of companies with foreign participation may be reduced by an amount equal to their investment outlays on: construction, expansion, adaptation, and modernization of buildings and structures; acquisition of new machinery and equipment and their assembly; and acquisition of new means of transportation.

A company's income is exempt from the income tax for the first 3 years of its operation, reckoned from the day on which it issues its first invoice. The company may obtain an additional income tax exemption for up to another 3 years, but not longer, if its operation relates to domains of preference specified by the Council of Ministers. The length of the additional exemption is specified in the permit issued by the chairman of the Agency for Foreign Investment (Article 27).

The preferred domains were specified in Resolution No 17 of 16 February 1989 of the Council of Ministers (MONITOR POLSKI, No 4, Item 42). The list of the preferred

domains comprises: agricultural and food industry, pharmaceuticals, medical instruments and equipment, production for the needs of housing construction, environmental protection, modern technologies, telecommunications engineering, electronics and the production of electronic materials, production of research and control and measuring equipment, printing industry and office technologies, products of powder metallurgy, finished products, packagings, transportation, and tourism.

The income of the foreign partner is subject to an income tax of 30 percent unless the provisions of international agreements binding on the Polish People's Republic specify otherwise.

Agreements to avoid double taxation, concluded between Poland and, among others, the countries named below, provide for the following tax on dividends: Austria, 10 percent; Belgium, 10 percent; Denmark, 5-15 percent (Footnote: In the country where the dividend-paying company is headquartered the tax rate does not exceed 5 percent of the dividend if the recipient is a company which controls at least 25 percent of the capital of the company paying the dividend; 15 percent in other cases.); Finland, 5-15 percent; France, 5-15 percent; Spain, 5-15 percent; the Netherlands—no tax due if 25 percent of the company's capital is controlled, while in other cases the tax does not exceed 15 percent; Japan, 10 percent; Norway, 5-15 percent; Pakistan, 25 percent; the GFR 15 percent; Sri Lanka, 15 percent; Sweden, 5-15 percent; Thailand, 20 percent; the United States, 5-15 percent; Great Britain, 5-15 percent.

The tax on profit distribution is withheld by the company as the payer through a procedure defined in separate regulations. The tax due on income paid in foreign currencies is paid on the basis of a documented exchange of these currencies (Article 29).

Companies are exempt from import duties and other fees with similar consequences. This exemption applies to: objects constituting the nonmonetary contribution of partners to the company's founding capital, namely, machinery, equipment, and fixtures, as well as other assets serving the company's operation.

Also duty-exempt are the machinery, equipment, fixtures, and other assets serving to engage in the operations defined in the permit, which were acquired by the company or its agents during the first 3 years following the establishment of the company. Assets credited to the foreign partners in the event of dissolution of the company are exempt from export duties. Furthermore, the company, when exporting, is eligible for reimbursement of import duties on the same principles as state enterprises (Article 50).

Employment

A company may employ persons who do not have Polish citizenship or a card authorizing permanent residence in Poland, provided that the company obtains the consent of the local voivodship-level office of state administration

dealing with employment (Article 31). Employees who are foreigners as construed by the foreign exchange law may receive part of their emoluments in the form of foreign exchange out of the company's foreign exchange funds, and may repatriate said part without needing a separate foreign exchange permit. The foreign-exchange emoluments of employees who are foreigners as construed by the foreign exchange law are subject to a tax of 30 percent, unless the provisions of international agreements binding on the Polish People's Republic specify otherwise.

Agreements to avoid double taxation provide that taxes on the incomes of self-employed persons are levied solely in the person's country of residence, unless he or she maintains a permanent representation in another country, and in that case 80 percent of the tax is collected [in the country of residence], as in the case of Poland. That tax is withheld by the company as the payer when remunerating the services of the self-employed person. The tax due is payable in Polish zlotys deriving from a documented exchange of the foreign currency concerned.

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